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APPLICATION OF SET OF MEASURES IN FORESTRY EXPLAINED

Prague HOSPODARSKE NOVINY in Czech 21 Nov 80 p 7

[Article by Eng Vladimir Marko, CSc, of the SSR Ministry of Forestry and Water Management, in Slovak: "How It Is in Forest Management: Improving the Set of Measures"]

[Text] In elaborating and improving the system of planned management the following unique characteristics of forestry management must be kept in mind:

--In addition to its productive functions (the production of wood and other products), forest management has a number of other, nonproductive social functions. These are primarily its hydrological, soil protection, health and recreational functions, which impact on the process of production and the entire economy of the branch. The importance of its nonproductive functions increases as the level of civilization rises and in some areas exceeds that of its productive functions.

--The production period in forestry is exceptionally long, on the order of 100 years, and this has an important effect on the planning and the entire economy of the industry.

--In forestry, not only economic laws but natural laws as well must be considered and exploited creatively. Any disturbance of biological equilibrium or threat to the productive base is necessarily reflected not only in adverse ecological consequences, but in the reduction of economic effectiveness in the future, as well. This limits the amount and type of current production (cutting must be in proportion to the amount and type of new growth).

--The difference between natural and production conditions results in a different economic situation for the organizational units. The negative consequences of differentiated returns are quite apparent here.

--Seasonal fluctuations and a great degree of dependence on the weather (not infrequently, natural disasters) make flexibility in the use of direct and indirect management tools imperative.

--Special characteristics of the branch's organizational structure (forest management does not have a central management link) make necessary special measures in handling khozraschet problems.

These and other, less important features peculiar to forest management were the reason for the adjustments made in the Set of Measures in tailoring them to the conditions existing in the forestry branch.

We should mention that some of the fundamental progressive principles of the Set of Measures fully answer the specific requirements of forest management and have already been put into practice (even if not to their full extent) in this industry. This applies chiefly to emphasizing the importance of the intermediate plan. The length of the production process, adherence to the principle of long-term timber production and the rational, conceptual utilization of the social (nonproductive) functions of forests necessitate integrated planning for quite long periods and point up the importance and seriousness of intermediate range plans. For this reason the category of "forest management plans" was introduced in forest management quite a long time ago (and codified in the form of legal norms). These set the basic tasks in the production and reproduction of forests for the forest managers for 10-year periods. If we are able to bring the intent and aim of the forestry management plans into line with the principles of intermediate range and counter planning as set forth in the Set of Measures it will be of exceptional importance in achieving long-term stability and assurance of the concepts of forest management.

The need to provide for the social functions of forests, which do not have any direct economic effect, places forest management in a special position in the sphere of financial policy as well. State intervention here takes the form of what is known as a direct tie to the state budget: the enterprises are of the *khozraschet* type, to be sure, but their levies or subsidies from the state budget are calculated on the basis of the planned quantification of inputs and outputs and are thus set in advance by the financial plan. The sums listed for renewal and expansion of the forest fund must be expended; failure to do so does not result in any economic advantage for the enterprises or their employees.

The economic priority of investment requirements with respect to short-term requirements is also reflected in the measurement and evaluation of the volume of production and the collective and individual incentives based on this. In forest management we do not evaluate output in terms of value added according to the principle of net production, but use the indicator for output volume achieved using internal resources in planned prices. The planning of the prices of individual areas (growing, cutting, etc.) is done on the basis of their wage costs; they do not include the consumption of materialized labor. The directly resulting economic effect is thus not quantified in the volume of output, but rather in the work expended on ensuring short-range and long-range economic and social results. This precludes exploiting the forest fund at the expense of its production base.

The output volume achieved using internal resources becomes at the same time the basis for regulating wages: the basic wage component will be figured on the basis of the output volume, and incentive wages on the basis of the indicator for the effectiveness of production factors.

The effectiveness of production factors is a new, progressive element used in evaluating the economic efficiency of forest management. It replaces the generally used indicator of return on production assets, evaluating those factors that most

greatly affect the product and the economy of the enterprises. The indicators do not take into account profit (therefore we talk about "efficiency" and return), not because little importance is attached to profit as an indicator of economic effectiveness, but because in terms of long-term effectiveness it is not decisive. Among the factors of production is included the value of the work force, in addition to production funds. The percentage of human labor in forest management is still enormous--wages account for 45.3 percent of all costs--and cutting down on manpower is thus economically something greatly to be welcomed.

The cost of manpower is up to 80 percent of the total cost of production factors in forest management in Slovakia.

In this connection we must consider whether the obligatory proportion of technical-economic personnel established will not make it more difficult to reduce the overall number of workers from that set by the plan in cases where the potential for increasing the output volume is limited, as it is in forest management. Establishing this percentage in the plan is acceptable, but if, as a consequence of technical and organizational measures (through an increase in labor productivity) the number of workers declines with respect to the plan, this indicator can be fulfilled only by discharging a suitable number of technical-economic personnel at the same time. Such a practice could lead to weakening any interest employees might have in increasing labor productivity in the extra plan; thus it cannot be accepted in evaluating the results achieved.

The effectiveness of the factors of production includes the volume of production produced using internal resources, since this indicator most pertinently expresses the efforts made by collectives and individuals to ensure the long-range production of the forests. That is, approximately 21 percent of costs is spent on increasing the forest fund, primarily on the care of the forest. These costs do not bear any direct relation to earning and revenue. This is one of the major reasons why the return on production assets in forest management can only be orientational in nature.

Seasonal and catastrophic swings in its production and economics will continue to be handled through special funds (growing and disaster funds); releasing monies from these funds as this is affected by other regulations and restrictions has not yet been worked out. This question must be resolved when the statutes concerning industry funds are amended.

The special characteristics mentioned above that are utilized in the economic instruments of forest management, however, do not solve an important, long-standing problem of this industry, namely, the negative influence of differentiated returns. That is, the production and economic conditions of individual enterprises, regions and republics are so disparate that, leaving out the full effect of differentiated returns, some enterprises become high loss producers and others show an enormous unearned return. This is especially obvious in the regions with a preponderance of deciduous forests; the relatively low prices for deciduous trees and the comparatively high costs involved in growing them place the enterprises working under these conditions in an economically disadvantageous position: they are forced to rely upon state subsidies, with all the adverse consequences attendant upon such a relationship.

This problem can be solved in either of two ways: by adjusting the wholesale prices of unfinished timber on the basis of a more consistent use of the value relationships between hardwood and softwood, taking into account world prices; or by means of an advantageous redistribution of differentiated returns among individual enterprises. The two methods can be used in tandem, since neither of them completely solves the problem of differentiated profit. The first solution, restructuring the relations of wholesale prices, is still under consideration at the research and central agency levels, and will not become available until the Seventh Five-Year Plan. The other means, objectivizing and redistributing differential profit, has been essentially worked out, but has not yet been approved by the appropriate central agencies.

An important deviation from the generally applicable principles will be utilized in the reproduction of fixed assets. In forest management we generally construct facilities that are not especially material intensive, such as forest roads and storage sheds that are relatively inexpensive (between Kcs 1.0 and 10.0 million), and the entire capital investment, including the design work, is covered out of internal resources. In carrying out this investment great flexibility and competence are required to respond to seasonal changes and the effects of natural disasters. For these reasons forest management has always been exempted from the strict regulations for capital investment: what were important were just the overall volume of investments and the volume of investments secured by the supplier. This relative freedom in forest management paid off handsomely: the capital investment plan was always fulfilled, completion deadlines were shortened, budget costs were adhered to. Thus there was no reason to change this system; it will remain in effect during the Seventh Five-Year Plan.

In addition to the specific features discussed above and the methods used to deal with them, there are some other modifications to the generally applicable economic implements that are used. All of these have a simple basic goal: to ensure that the riches of our forest are further increased, that the production of wood, an ever-renewable resource, is systematically increased (thereby also increasing the effectiveness of forest management) and that the forests, through their nonproductive functions, serve our entire society to an ever greater extent.

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ROLE OF AUXILIARY ECONOMY EXAMINED

Budapest TARSADALMI SZEMLE in Hungarian No 11, Nov 80 pp 32-39

[Article by Istvan Marko: "On the Role and Regulation of the Supplementary and Auxiliary Economy"]

[Text] When we started building a new society we believed that the large socialist operations would meet an increasing proportion of the needs and that within a relatively short period small production would come to an end. We also assumed that we would devote a decisive share of the increasing leisure time to cultural matters and recreation. We have been forced to correct these ideas in some respects. With the advance of large-scale production, its predominance, and the decline of traditional small-scale production, its predominance, new forms of small production have developed. We now know that in our socialist society a higher state of development calls forth higher needs which require for their satisfaction in a definite sphere the maintenance of small production as well.

What will follow from this recognition? Above all, the fact that we have sought to put this sphere of activity, too, more effectively and systematically into the service of our social progress.

I

In socialism the social character and organization of economic activities develop gradually, but the degree of organization in the course of the development shows variations from branch to branch and from one activity sphere to another. In our country as well as in other socialist states, a production-distribution sphere with characteristic features and outside the sphere and organization of social property can be found in addition to production based on social property with corresponding prevailing distribution and features. In the meeting of needs, this area plays a supplementary role, its social organization is of a lower degree, its operation mechanism has different characteristics, and it is based for the most part on personal and family work.

A concept fully expressing the activity has not been developed. If we are striving for some kind of general definition, a difference from the prevailing production-distribution relations appears to be governing. Therefore, as long as we do not have a better definition we will use the concept of supplementary, auxiliary forms. In this sense, the supplementary and auxiliary form includes agricultural small

production, small private industry, private building industry, private trade, family and domestically produced building activity, services for self-sufficiency goals performed without license, and occasional work performed for the population.

--With the rise in the living standard, needs are being differentiated in a significant way. We must also meet demands which are more differentiated than previously thought. The role of services is increasing, and from many aspects this requires its own solution.

--The population has an important job reserve, and a strong individual interest is linked to using a part of leisure time in work.

--There are many needs of society which cannot be satisfied in the large-scale framework of the economy. Some of the demands for products and services can be most rationally satisfied by small production. In some areas the compulsion of self-sufficiency also continues to exist.

In addition to income from a main work relation, a considerable portion of the population lays claim to an auxiliary source of income to meet its needs. The acquiring of an additional income is a requirement of the present population.

The above-listed factors may be regarded as permanent, and nowadays more recent ones may be added. A more rapid change in the product structure, and improvement in the population's provisions, and limited material possibilities stemming from the economic situation necessitate that we make better use of the supplementary sources outside of large-scale management and the rational development of small production.

II

The activity and operational conditions in the socio-economic reproduction process of a part of the supplementary and auxiliary economy are significantly influenced by the operation of the sector based on socialist property including work distribution and regulation. Its positive and negative aspects are not independent of this. If we want to draw viable conclusions, we must approach the supplementary economy primarily from the material aspect and from the viewpoint of production it conducts and the demand that is met, and not as some moral phenomenon of distribution or consciousness.

The supplementary economy, in fact, embodies a work addition which expands the achievement of the whole economy, creates an additional commodity base, and supplements the production structure of the socialist sector. It is characteristic of its dimensions that of the total social work investment 16 to 18 percent is expressed in this sphere, which corresponds to one-fourth of the socialist sector's work-time base, and thus it is by no means of negligible potential. The additional sources deriving therefrom make up one-sixth of the population's consumption. The individual areas of activity play different roles in the satisfaction of demands, the most important being in food supplies, housing construction, and repair-maintenance work. Small agriculture produces one-third of the country's agricultural production; 60 percent of the houses are built by family work, the cooperation of friends, and small industry; and three-fourths of the service demands are satisfied outside the socialist sector (through services performed by small industry, unlicensed or home-supplied.)

In judging these ratios one may encounter both overevaluations and underevaluations of the role of this sector, and in respect to its political importance one encounters mainly underestimations. In drawing deductions, it must be taken into account that its weight is of particular importance in several areas. Not taking small-scale agricultural production into account--and we also disregard household work--the work investment does not come to one-tenth of total work time, and still in the satisfaction of certain demands it has a decisive role. In certain activity branches this could not be made up for, or only at the cost of greater investment. Its political importance is also indicated by the fact that three-fourths of the families take part in this activity and share in its income -- the savings it exerts on expenditures, and also as consumers they are sensitively interested in various areas (fruit and vegetable supplies, services, housing construction). (According to estimates, 70 percent of the industrial construction industrial workers, 90 percent of the agricultural physical workers, 20 to 25 percent of the intellectuals, and 40 percent of the pensioners work in various areas of the supplementary economy.) All the measures taken in this area have to a greater or lesser extent an effect on the entire society.

The key problem of our economic progress is to increase work productivity at the social level. In the attainment of this goal, economy has an important role. Production economy depends on many factors, among other things on the magnitude of the production serial and the capital intensiveness of the activity. It is also well known that there are still a number of activities and products in our economy which are uneconomic under large-scale operation conditions but could be economic under small-scale conditions. We need to use a production-organization form of work distribution in the large-scale, small-scale and auxiliary economy, by which a given activity can be realized with the least expenditure. Particular attention should also be paid to those jobs which can be performed individually as well and have a relatively low capital demand. In such cases we are free of the need for state investments, the activity is not burdened by a high overhead, and the production of small serial products can be economic. We can include here, for example, repair-maintenance service, the manufacture of small household articles, parts, fine clothes, and other retail activities.

We have a basic social interest in seeking that we make good use of the work-time base available to society. We need to use better the work-time base available to society. We need to use better the work-time base of state enterprises and co-operatives as well as of individual and family manpower reserves. In our employment policy, it is the prior condition for solving the problems of efficient manpower management that the manpower situation should be balanced and that economically justified regroupings should occur. With the transformation of the product and the production structure in the coming years, manpower will be reorganized and in the large industrial, goods-producing operations 30,000 to 40,000 workers can be released. The major share of this number will be absorbed in the producer and non-producer infrastructure and in the medium and small-scale producers-service operations performing work-intensive activity, while a certain ration will find work possibilities in the auxiliary economy. In this way, despite the more moderate production increase in large operations, we can assure a worthy rise in production and a better material recognition for outstanding achievements. Shortages in goods and services can be reduced, and the supply can be increased in monopoly situation areas.

The nature of the incomes deriving from the supplementary economy, the distribution system and its differences sometimes provoke debates. In this area in fact manpower is based on its own use, market relations give incentive to the participants to greater achievements, and the countervalue of the activity is decisively determined by the relation of supply and demand, and depending on this the activities may differ, and frequently do, from expenditures. If we want to describe briefly the income relations in this sphere of the economy, we might say that the income of the greater share of the participants is in essence proportional to the work invested, while with less work a smaller ratio will acquire greater income, and a very narrow class will acquire an expressly high income. Outstandingly high incomes can chiefly be found among those who are engaged not primarily in production but in marketing, or who use "outworkers" contrary to the rules. (For example, those who simply collect the products of others and sell the goods elsewhere at a higher price; or those small industrialists who employ outworkers on whom they do not pay taxes, etc.). In this sphere of the economy, therefore, it is possible to acquire additional income not in proportion with achievement, and in many instances more income per unit of work can be attained than in the socialist sector. In the socialist sector, the earnings difference according to achievement is limited; even with outstanding work, it is not possible to earn essentially more. Unfortunately, this frequently acts as a restraint on achievement at the main place of work. Action must be taken in two directions to solve the problem.

We must recognize that we cannot restrain by artificial limitations income that is higher than merited in certain jobs, and only by improving the economic situation and the provisions can worthwhile results be obtained. Since incomes that are unjustifiably high or not in proportion with work are created primarily on the basis of various shortages (in products, skilled workers or services), the income asymmetries must be eliminated chiefly by creating a balance between supply and demand.

It appears proper that the demand for greater income and the recognition for surplus achievement should not be something that can be solved only in the framework of the auxiliary economy. Whoever is capable of earning more by reason of his physical strength, industry or other qualities should be able to earn more at his main place of work. If the activity is economic and there is a need for the additional work, then it is justified that the worker should receive additional main work income. To do this we must create the incentive conditions at the enterprise (wage payment forms, work-time pay), and all this must be regulated and guided in such a way that the earning differences will be proportional to the achievements. This is not a simple task, and cannot be done from one day to the next, but we must strive to do this.

In several service and production areas, the auxiliary economy enjoys a monopoly because the supply by the socialist organs is insufficient. At the same time, small production supply is also lagging behind the demand. This has the effect of driving up prices, and in addition the defenselessness of the population continues. The auxiliary economy also finds itself facing the shortage phenomena (parts and cooperation) and with the effects deriving therefrom. On one hand it is the loser and on the other hand it is the beneficiary. The avoidance and reduction of shortages may serve as a source of additional income. The small producers based on family undertakings use this at times for speculative goals.

In all those areas where the anomalies can be ascribed to economic causes, actual solutions can be effected only by the elimination of the causes. The paring of advantages deriving from a monopoly situation and the terminating of the population's defenselessness can be achieved by increasing supply.

At various points the supplementary economy is well adjusted to the economy as a whole, in certain areas successful work distribution has developed between the socially organized and the less organized sector. Work distribution and regulation differ by the activity. In several important areas cooperation is still not satisfactory and the relations are irregular. It is in this relation that the material and means supply is not adequate. All this raises economic and moral problems. It is not accidental that the most abuse (bribery, trickery and stealing) is found at the point of juncture between the two areas. We want to exploit the possibilities of small-scale production, and more effectively than heretofore. To do this, it is necessary that we make their operation more organized, link their management better to activity conducted on the basis of social property, and give room to the development of self-organization. We must gradually eliminate those economic, legal and attitudinal limits which make it more difficult to develop organizing capabilities that are not centrally initiated.

Such preparatory work is being conducted at present at the specialized ministries and at the cooperative organs as coordinated by the National Planning Office. In the recent past as a result of these operations, a government resolution was passed on the modernization of the organizational forms of consumer services and on the development of activities serving small private industry. They reviewed the possibilities of developing small production and the supplementary activity in order to work out measures linking the activities more effectively into the reproduction process.

III

Nowadays the improvement of the performance capability of the entire economy is on the agenda, and this requires above all the increased efficiency of large-scale production. But rethinking of development possibilities of supplementary activity has also become of interest. The point is that we should neither exaggerate nor underestimate it, but deal with it according to its actual weight and importance judging this question, too, from the long-term point of view.

The development of the economy can be assured basically by improving the work of the large and medium socialist operations, making socially organized activity more successful, and modernizing their operational mechanism. The development of small production and of activities initiated by the population itself can occur only by taking this into account and by starting out from this common point of view. The other point of departure is the differentiated approach. The operational area under discussion is heterogeneous and embraces activities worthy of support and activities requiring they be limited. Therefore, further measures can be taken only on basis of weighing the social advantages and disadvantages together.

When we speak of the development of small production and supplementary activity, we must know that we are not speaking of some kind of liberalism in the bad sense, but above all of the improvement of the economic organizing activity of the

socialist state in this sphere. We are seeking to put this sphere better into the service of our goals and make progress in liquidating its actual contradictions and absurdities, and create more systematic relations. Hence the task can be indicated in the improvement of organization and guidance, both in respect to undertakings based on mixed property or family work.

In those areas of need which the large-scale operations cannot efficiently satisfy, it is advisable to choose solutions which will permit satisfaction of the given demand by the least expenditure. With the choice made according to the case, this may be a flexible small enterprise based on social property, a family undertaking integrated in the socialist sector, a relatively unbound association form, or a small private industry.

The small socialist operations (smaller enterprises, cooperatives) and incidental association forms serve to satisfy better the existing production and population demands. The objective and subjective conditions for the running of small operations and the more simple organizational and accounting forms are given, and their economic and legal regulation can be done within a relatively short time. Their operation can be conceived in various forms: the creation of independent small cooperatives, the transformation of developments in present units and sites into self-accounting units, the expansion of the contractual (global sum accounting) system, the leasing of small units (lease system), and the further development of activity performed in the framework of the outworkers relation. It is advisable to create small cooperatives or other units operating in simple organizational forms primarily for activities which serve to eliminate shortages and to give better satisfaction for the population's service demands.

To operate the more simple organizational and accounting forms, an advantageous solution appears to be in the area of services and in certain commercial lines.

a) Service organizations can perform truly successful work if they adjust all the more to local demands. In the socialist service sector today, services are performed essentially by units operating according to the unified rules of enterprise (cooperative) management. Accordingly, some of the service units operate with difficulty and at great cost. The efficiency in the work performance of the service operations is economically inadequate, the means are used poorly in many places, and the degree of work organization is low. Further organizational development appears necessary, and in fact of a kind that will assure an improvement in the level of services at lower cost. One possible way of doing this is to establish more small, flexibly operating service enterprises and cooperatives along with the large service enterprises. Such service networks consisting of small units are operating successfully in a number of socialist countries.

It is advisable to develop some of the small service enterprises and cooperatives by way of decentralizing organizationally the large enterprises, and to found the rest in new and more flexible frameworks. We must develop a simplified regulations system and a greater area of mobility for small service enterprises.

In the framework of the more simple organization forms, it would be advisable to assure possibilities for the founding of cooperative trade groups and cooperative work communities. On the model of the agricultural specialized groups the

Industrial cooperative trade groups would conduct activities for which the parent cooperative could help with material and means and by promotion of sales. In this way there would be opportunity for using the fractional working time of the workers in their main occupation and for partially cutting down on amateur work. And in the framework of the work community there would be opportunity for various kinds of undertakings not antithetical to our managing system.

b) At present, service activities can be conducted in the so-called global accounting system only in a relatively limited sphere. In the interest of a better supply for the population and economic advantages, it will be advisable in the coming years to use the global accounting system in the service area in a broader sphere and extend it to retail trade. In these areas, in any event, it is the shops and stores with a small number of personnel that can operate independently, efficiently and with less cost than up to now. The present so-called freecashier (gehin) accounting system gives opportunities for irregularities and abuse. In this way some of the workers in these places can acquire illegal income. At the same time the operation of small businesses is not sufficiently rational, and the incentive system is not appropriate. In our experiences, these problems cannot be solved simply by tightening controls. It also appears necessary to change the accounting method.

The essence of the contractual, global system is that an enterprising individual or a collective of several members will pay to the enterprise on basis of a contract a global fee to cover the costs and the profit ratio. This management form is built on a large degree of independence and incentive on the part of the manager (branch manager, store manager) which assures a rational management that better takes into account the demands of the population. It can be assumed that in the framework of this form goods acquisition, service and registration is better adjusted to the needs of the population, and that management is also improved. The new price increase system, by dint of taxation, also creates more orderly relations in respect to income.

c) Workshops and stores that cannot be operated economically should be leased to small industrialists or retailers. In the lease system the operation of the unit in socialist property is performed for a lease fee by a small industrialist or private retailer. In the commercial area this form was made possible by decrees dating from 1957, but these were not actually used for attitudinal or interest reasons. The profitable use of uneconomic units and the narrowing of unserved districts make it necessary to extend the lease system and to employ the earlier decrees appropriately.

The development of socialist small operations and association undertakings can create more favorable conditions for shaping more rational work organization methods, for developing work organization systems that adjust to demands, for the solution of several employment policy problems (part work-time, outworker work relations) and can also contribute to the reduction of certain income policy strains.

Between the socialist sector and the supplementary activity based on individual and family work, it is advisable to develop a work distribution by which the latter is integrated into the socialist sector, and the various activities can be influenced and controlled by taking into account the social interest. Thus it is

possible to take from the production processes of the socialist sector those activities which can be performed more profitably by family work. In this respect that are international experiences, and Hungarian agriculture also offers a good example, which has developed a characteristic and very successful form of integration. The relationships between socialist large farms and household farms are developing from year to year through clarified principles and good practice; and the activities of the latter are more and more integrated into the activities of large-scale socialist operations. The basic principles of such integration can also be realized in other areas, primarily in the areas of the construction industry and services. An important prior condition of realizing integration and regulation is that the state should concern itself with an appropriate provision of materials and machinery, professional guidance, the organization of marketing, and the control of activities.

In addition to the cooperatives and associations that are to be established to meet demands, we must afford opportunity within given limits to individual and private undertakings and the broadening of such initiatives. This is true particularly of those areas and activities where integration into the socialist sector cannot be solved or where this would not be economically advantageous, or where the balance of supply and demand could be established by granting operational licenses for small private industry or private retail trade. It would serve social goals if in areas where there are shortages or in lines where there is a monopoly situation (and most of the service activities could be listed here) we would grant more industrial permits and we would regulate the balance of supply and demand by economic competition. It is certain that in this way supply would improve, and the high incomes not in proportion with the work performed would be moderated. This purpose would also be served if services performed without licenses were opened up and more incentives were given for small industrial and service activities by pensioners. The mere legal opportunity for the establishing of such work relations is not sufficient if the material supply necessary for the activity is not solved, if workshops are lacking, or there are no money sources for equipping them.

From the point of view of our subject it is important to have better possibilities also for using personal property for accumulation goals and for mobilizing the mass of the population better than heretofore. Economic theory and practice have dealt with personal property exclusively as a consumption category, or are handling them in that way. It follows from this that we are unable to place certain phenomena clearly in the reproduction process. It would be justified to mobilize the population's means to a greater extent than at present for economic development goals. Above certain limits there are still too few possibilities for investments which will serve both the interests of the individual and society. This is accompanied by twofold harm; frequently it leads to wasteful consumption and to a distortion of life style; but economically as well it is disadvantageous because while the state is struggling with a shortage of sources the population's savings are not used adequately in all cases. We must find a solution which will make it possible that incomes not spendable for rational consumption will be returned into savings and reproduction. Such a solution can consist, for example, of savings for production, house and recreation construction, personal insurance, and the development of innovations and inventions. Worthy of support are those initiatives

which seek to use the population's means in a more organized, controllable form and in a manner compatible with our social structure.

In the course of the above, we could broaden for various developments the use of the goal rationing system (celrensajegyrendezes) which is already in use by cooperatives. It would promote the adding of money means of citizens into the circulation of economic life if they could participate in economic associations with their resources. A suitable form for using the population's means for such purpose would be to establish recreation cooperatives which would assure the right to recreation.

In the organizational, guidance and technical modernization of small production and supplementary activity, it would have to be taken into account that material incentive in this sphere of production-marketing is direct and strong, reacts quickly to every measure because of its slight means and money requirements. A wrong step here or there can cause perceptible political and supply disturbances. There have been examples of this in the past. Such, for example, was the unfavorable reaction stemming from inconsistencies in the population's taxes; and from differing judgments on house use for income (exchange, sub-renting, and paying guest-service). We must understand, therefore, that no kind of urgent pressure will help further development, but only objectively and adequately planned out and materially based measures. In taking further steps we must also understand that this is an area of contradictions, and certain compromises are unavoidable.

Our judgment of the economic-social role of small production and supplementary activity is not unified and not yet theoretically analyzed.

In progress beyond legal and economic regulation, a significant role will be played by implementation and the local administrative organs. Therefore, it is particularly important that the councils should be adequately prepared to solve the local tasks. For a realistic judgment, it is necessary to deepen information and research work and to improve mass political work. In the latter much can be done by the means of mass communications and the propaganda organs. Of course, from the aspect of our needs it is necessary to have an objective finding and showing of the contradictions, errors and anomalies along with the positive approach with its starting point of benefits. But in any case we must avoid generalizations on the basis of egregious and individual phenomena and thus develop a distorted picture of an activity of class that as a whole perhaps is useful.

Small production, supplementary and auxiliary activity is an area of our economy which will be a part of our society not only for now but over the long term. Therefore, it is not a matter of indifference how we judge this economic sphere. We must find a way to use individual initiative work-performance which will increase social organization, promote the better satisfaction of consumer needs, and at the same time exert an effect toward reducing and eliminating harmful and negative phenomena.

6691

CSU: 2500

PLACE OF PRICE POLICY IN SYSTEM OF ECONOMIC POLICY DISCUSSED

Budapest TARSADALMI SZEMLE in Hungarian No 1, Jan 81 pp 31-39

[Article by Janos Hoos, state secretary, National Planning Office: "The Place of Our Price Policy in the System of Economic Policy"]

[Text] During the previous period an econo-political practice, a direction of action has evolved, affirmed also by our Party's 9th Congress, which has been aimed at satisfying the transformed external and internal conditions of our development and which is well suited to solve the tasks presently facing us. Changes have been made in our price policy to bring it in tune with the new circumstances, and steps have already been taken for their practical implementation as well. Regarding the main questions of economic policy and price policy--although, especially with respect to the latter, differing opinions can also be heard--it seems to be a generally accepted view, that their implementation is an important precondition for successfully adjusting to the new circumstances. The most important task for the coming period is realization itself, and in a manner which strengthens the harmony between price policy and economic policy and which enables them to mutually enhance the conditions for the fulfillment of our national economic tasks. Naturally, in the course of their execution--as our practical needs flexibly adjust to the changing circumstances--our price policy and economic policy will also continue to evolve and their development is well justified. The implementation of further steps, however, and the necessary modifications must be carried out by making certain that the already accepted basic econo-political and price policy principles do not become vague and that we do not hinder their successful realization.

Basic Principles of Economic Policy and Price Policy

The basic principle of our econo-political practice is to bring about an economic growth which places an emphasis on quality improvement, increases the international competitiveness of our economy and enhances the reestablishment of the foreign economic equilibrium. Regarding these tasks we must, in the next few years, be prepared that the equilibrium requirements will become inevitably and increasingly more significant, and that the rate of growth and the volume of divisible resources will be temporarily lower than might be expected given our level of development and our socio-economic conditions.

This situation is due precisely to the pressing nature of the necessity to reestablish the equilibrium, as well as to our given economic structure which cannot be significantly transformed in the short-run. Until we are able to establish an acceptable level of equilibrium, we will probably not be able to achieve a rate of growth which is in accordance with our level of development. Only after this has been accomplished will our growth be able to accelerate, but even then--according to data resulting from various analyses and studies--its rate will be less significant compared to the 1960s and 1970s given the intensive conditions of our economy. On the average, the growth in the national income amounted to 5.4 percent in the 1960s and 5.3 percent in the 1970s. The Sixth Five Year Plan is aiming at a growth rate of almost 3 percent, however, if the international conditions become more favorable, and if we are able to make progress toward the better utilization of our domestic efficiency reserves, we may expect an increase in growth during the second half of the plan period already.

The basic principle and requirement of our new price policy is in effect to promote--in harmony with our basic economic-political principles--the improvement of the efficiency and international competitiveness of our economy, by establishing a close interrelationship between domestic and world market (foreign trade) prices. Our price policy, therefore, is closely interconnected with the reestablishment and stabilization of the foreign economic equilibrium, in that prices must be aimed strictly at bringing about a reduction in domestic production costs; they must promote a faster than average development of effective production activities and facilitate the modernization of the production structure of the national economy. The fulfillment of these requirements also infers that prices should serve, to the greatest possible extent, as incentives aimed at meeting international standards, at managing the economy in a manner which is recognized as efficient by the foreign market, and at improving the barter ratios. Under these circumstances the price system must be elastic, that is, prices must adjust in time to the changing world market price ratios.

Main Characteristics of the New Price System

In the course of the 1980 price adjustment, we have introduced--taking into account the above considerations--the so called, competitive price system¹, or competitive price calculation, within a broad spectrum of industry² replacing the previous price system which had been based on domestic production costs (prime costs).

The main advantage of the new price system as opposed to the old one is that the production achievements of enterprises also reflect their international competitiveness, and the adjustment to the world market reduces and puts an end to the automatic passing on of price increases to the users and consumers. This is because according to the prescribed rules, on the average of an extended period of time internal prices may not exceed export prices, therefore, domestic cost-overruns which go beyond these may not be calculated into the price. In the old price system costs could be passed on automatically.

It is without question--and we must admit this openly--that under this new price system the following of world market prices and especially the successful implementation of the international efficiency requirements transmitted through them, are going to be difficult tasks. With respect to the first task, the main problem

is how to "identify" the world market price. (For example: Which one of the ever changing and even geographically differing prices of a product should be accepted as the world market price to be followed. The "identification" of a product, in the case of most products, may present additional problems resulting from the diverse nature of technical parameters. There is no uniform world standard, and it can only be interpreted in a differentiated manner.

As a result of our advanced economic state, today the world market standard regarding efficiency requirements is set--and foreseeably will continue to be set for some time--at a high level which a relatively large number of producers are unable to meet. For them we must find temporary, bridging and in some cases special solutions. In the course of implementing this price policy we have been forced, therefore, to depart from our normative policies and from enforcing all the general requirements without exception. This price system does have an advantage, however, in that it may be "preferential" which may eliminate preferences by way of improved efficiency. This may be expected in part because preferences are determined in a way which brings out into the open the size of the lag behind international efficiency levels (they are granted because production is inefficient and because the size of the preference granted indicates how great the lag is), and in part because preferences are not granted permanently (the stipulation is that their size will be gradually reduced and that they will be eventually discontinued after a certain period of time; that is, the grantee must move up to a higher sphere of efficiency within the period for which the preference has been granted).

While undoubtedly this price system is not perfect either, having examined our virtues and difficulties together we can conclude, nevertheless, that it is better suited to serve our economic-political efforts. Naturally, it can do so only if we apply it consistently, and if we are indeed able to limit the granting of preferences exclusively to the objectively justified areas, while gradually reducing their size. Consequently, it is obviously also important to see to it, as the possibilities permit, that competitive price calculation is introduced in an increasing number of areas of our economy (in agriculture, for example, to mention one). In those areas in which they are adopted, we must simultaneously improve and develop the connection between the effects of the world market and domestic conditions, and also the price mechanism and practical price activities connected with it.

One of the important characteristics of the new price system is that it is extremely sensitive to the effects of inflation. This is understandable since domestic prices are closely connected with the world market prices, and the effects of world market inflation can more directly assert themselves and make themselves felt. Given the conditions of the present inflationary state of the world economy, relative price stability can become a reality only if the improvement of domestic efficiency can lead to the creation of a financial basis for the revaluation of the forint, that is, for an active rate of exchange policy which can ward off external inflation. In the new price system it is completely evident, that in the final analysis relative price stability can and must in effect be based on production, on the establishment of divisible material resources. If at this stage there were no steps taken to substantially improve efficiency, then inflation would become unavoidable and regulators may have to be introduced (together with an appropriate price system) which--assuming that there is no radical decrease in consumption--would

put an end to rampant inflation, but which would cover up "hidden" inflation, goods supply-related tensions and the lack of market equilibrium. That is to say, the "struggle" aimed at improving efficiency and the "struggle" directed at overcoming inflation to enhance our economic policy and price policy are closely intertwined and, therefore, the tasks to be accomplished in support of them become not only more clear-cut, but also easier to program and more expedient.

Role of Price Policy In Today's Economic Policy

Our economic and price management practices have distinct roles assigned to prices and the price policy. Fulfillment of the requirements of our price policy is one of the conditions for the realization of our economic policy, that is, for the attainment of the goals laid down by our economic policy. Looking at it from another angle on the other hand, the components of our economic policy must also enhance the successful implementation of our new price policy, primarily by having our economic policy undertake those possible negative consequences also, which may result from the price effects aimed at improving efficiency, while at the same time it can strengthen the positive price effects using some other instruments of management.

Our economic policy and price policy are closely interrelated. Our price policy is an integral part of our economic policy, therefore, in the course of their interaction one cannot replace the other, albeit naturally our economic policy as a whole does have priority over our price policy which is only a component element. Our economic policy--precisely in order to achieve its envisaged goals--must not give up on actively implementing the economic functions of prices.

In our present system of management--in which we are not compelling enterprises and cooperatives directly, in the form of directives to produce in accordance with our national economic goals, but primarily indirectly, using economic measures--this is especially clear. One of the fundamental components of economic measures is price. Price affects the size of incomes and the profitability of economic activities. Consequently, it influences the size of various subsidies and withdrawals and other economic categories and measures connected with them, such as wages, profits, credits, taxes, tariffs, etc.

A price system which does not reflect value relations realistically, also undermines those functions of the other instruments of economic regulation which are aimed at transmitting and helping to fulfill our national economic requirements. In the 1970's, for example, the income-producing capability of our national economy (i.e. the ratio of the net national product to the gross national product) significantly decreased, due to foreign economic price losses and to an increase in domestic expenditures; at the same time the ratio of profits--enterprise achievements--to the gross product did not decrease, instead it increased from 11.7 to 12 percent. This means that in addition to passing on the arising surplus costs in the form of higher prices, the economic sphere was also able to achieve improved results despite its increased costs. This, too, was a contributing factor which helps to explain why the economy was less expedient than it could have been in adopting to the changed circumstances. Our price system was built essentially on domestic expenditures upon which net income accumulated automatically. As a result, during

the period of the reduction of our national economic income we were unable to restrain undeserved increases in enterprise incomes or to induce enterprises to improve their efficiency more expeditiously.

Price, but the other means of economic regulation as well, is merely a part of the system of measures available to management. Taken out of this system it would not only not be able to properly assert its functions, but even its role could not be realistically assessed either. Consequently, it would be expedient to use this as a starting point in the course of implementing our economic-political measures and in determining our tasks. It is also important, furthermore, that we assess which factors may hinder or jeopardize the efficient assertion of price functions. It is not at all without importance for us to expand upon a few related questions.

Assertion and Determination of Price Effects

In the practical aspect of economic management there are two ever-present dangers with respect to determining the function of prices: either that they don't react properly to price signals, or that they overestimate the role of prices in stimulating increased production efficiency. If, for example, a price indicated that the efficiency of an economic activity is low, our management organs might turn to other regulatory measures to neutralize or "remove from sight" the undesirable effects of the price; they may render the given economic unit more profitable by granting it various types of preferences, or it is not unthinkable either that they might even "adjust" the price in such a way so that it removes--in other words: conceals--low efficiency from sight. Overestimation of the signaling function of prices, on the other hand, may manifest itself in leading our managing organs to implicitly assume that price effects can and in fact should solve the problems resulting from low efficiency, and that if they failed to do so the problems would in fact be impossible to solve. The management organs, according to this view, should not even try to initiate any other steps, and they should recognize the circumstances which have evolved as permanent as far as the price side is concerned, since this is--as it were--a necessary condition for sustaining the given economic activity and for fulfilling the needs determined by it.

This kind of management practice does not separate economic activities which are soon to be discontinued from those which for objective reasons have to be tolerated for a prolonged period of time and which, therefore, require that the economic conditions necessary for their operation also be ensured, but in a way which would make it possible to render unequivocal judgments regarding the extent of their inefficiency. Practices based on the above view fail to eliminate inefficient production in areas where it would be possible to do so, and "result" in the stiffening of uneconomical real processes (production, plant- and work organization, etc.) in areas where it is neither justified, nor unavoidable. Another real danger in practical work stems from underestimating the effects of prices. This danger may arise in cases where the management organs turn to other measures in trying to solve a given task, even when prices would be the most appropriate for the job; thus they give up the advantages which rational prices might provide. For example, in order to conserve energy they may not utilize price effects sufficiently, instead they might turn to various rationalizing measures (i.e. special credit preferences, official regulations, etc.) in trying to achieve savings. Solutions of this kind always carry with them the danger of overbureaucratization in the

implementation of measures, while at the same time they are still unable to make up for the positive price effects which help to strengthen enterprise and personal initiative³.

Underestimating the effects of prices, and failing to utilize the possibilities which prices provide may also become a danger in the regulation of the purchasing power. We may find, that by implementing price changes we may be able to help purchasing power to get on the desired track in such a manner which at the same time also makes it possible to broaden those price functions which are aimed at improving economic clearheadedness and efficiency. In other words, in a situation such as this taking a single step may have two positive effects: it may help to stabilize the economic equilibrium, while at the same time improving the price system⁴.

Effective operation of the price functions, in accordance with the requirements expounded above, definitely requires that in addition to, that is, in harmony with the so called automatism⁵ of economic management, the system of state decisions and if necessary, specific separate measures (i.e. organizing, coordinating and organizational cadre decisions) also function and assert themselves properly. The function of this latter with respect to the price system is, among other things, to ward off obstacles which may get in the way of the automatic assertion of price effects, that is, to regulate and shape this automatism in accordance with our national economic goals. The function of economic management cannot by any means stop at simply determining the principles of price policy and outlining and implementing the mechanisms of their practical operation. It has another function which is just as significant, namely, that it should--in case the assertion of the positive effects of prices runs into obstacles--recognize the factors which hinder the success of our price policy, and to remove them as the possibilities permit, using appropriate measures. This is especially important in the case of losing enterprises and cooperatives and those lacking adequate funds.⁶

A properly constructed and operated price system will compel a great number of enterprises and cooperatives to solve their everyday tasks connected with the improvement of economic activities independently, within their own sphere of authority, and use this approach as the basis for achieving adequate profits and for achieving adequately sound foundations. A smaller percentage of enterprises and cooperatives, however, have to have more direct state assistance to help them carry out these economic tasks. The price system brings their efficiency problems to the surface, and as a result they may turn out to be losing or lacking funds. In order to render their operation permanently efficient, it may be unavoidable to transform and reorganize their economic activities (i.e. regroup and reduce their capacities, reallocate their manpower) to an extent which would require appropriate central decisions. If these decisions do not materialize, the enterprises will put extreme pressure on the price system, as well as on the system of regulators as a whole, to adjust the price and regulator system to inefficient activities and conditions. In reality just the opposite should happen: those economic conditions which are backward and inefficient should be transformed in such a way so that they would provide adequate profits for the enterprises, even if the prices in effect reflect higher expectations.

Through full utilization of the other elements of management, therefore, (i.e. through making appropriate specific state decisions, carrying out organizational transformation, regrouping cadres and improving economic--especially export--conditions, etc.) it is possible and also expedient to reestablish the conditions necessary for the successful assertion of the price system and thus, to reconnect the given area into its automatism. It is, however, damaging to economic clear-sightedness when management keeps an "automatism" functioning which is essentially based on preferential state interference that is contrary to the interest of the economy: namely, on frequent modification of the regulators to keep the "preferences" in effect.

On Coordinating Producers and Consumer Price Movements

It is also very important to make certain that the political and economic consequences of price changes are weighed together. This is especially important because of a price-political requirement according to which producers and consumer prices should change together as much as possible, and consumer prices should proportionately follow the changes in producers prices.

When consumer prices fall consistently behind the changes in producers prices, the economic consequence of this, first of all, is that the price system becomes less of a compelling force in trying to bring about rational consumption. We cannot neglect to mention the negative effect of this phenomena on the state budget either. That is to say, the separation of consumer prices from producers prices increases the burdens on the budget and thus reduces resources which had been earmarked for important purposes (i.e. developments), or (possibly even simultaneously with this) it may present surplus demands for the credit sphere which a bank could only fulfill by reducing the sources of credit for enterprises, that is, by limiting the possibilities of enterprise development or by making unjustified use of foreign credits. If the changes in producers prices are not followed in time and in a proportionate manner by changes in the consumer prices, the financing of budgetary surplus demands may increase the inflationary pressure. The price system in this case weakens and not strengthens the economic equilibrium or its stability, which is based on the improving efficiency of production.

Politically, this undesirable effect may mean that--since after a period of time they must be adjusted to producers price levels--consumer prices would have to be increased across the board in an abrupt and large-scale manner, which would have a hard-hitting and adverse effect on society. It is true that a one-time sizable increase in the area of consumer prices may put our minds to rest for a few years; this rest, however, has such great disadvantages that consumer price changes resulting from the movement of producers prices should be postponed only if there are extremely pressing political reasons to justify it.

Some unwanted effects of our price policy must also be taken into account. In certain spheres of our economic activities objective interrelationships may arise which--if economic management wants to achieve a given economic goal--strongly determine the price-political steps to be taken. This strong determining effect is especially considerable today in the sphere of small-scale and auxiliary production, which plays a relatively significant role--both at the present and foreseeably for a long time to come--in the national economy. (We are referring

here to agricultural household and auxiliary farms, the producing and service-providing activities of the population based on individual or family effort, carried out mainly in their free time, private homecraft and private trade.) If prices, that is, the various forms of remuneration in this sphere fail to provide adequate material incentives, this will have the most immediate affect possible on production, on the quantity and quality level of services and consequently, on meeting demands and fulfilling our export goals. In the area of small-scale and auxiliary production there is an especially close connection between prices, or incentives on the one hand, and production, services, related commodities-supplies, export and even import-substitutions, on the other. Every decision, therefore, which concerns the price conditions of this sphere must take these effects into account, which means that the realization of our economic-political tasks connected with this sphere will depend on the active assertion of price effects⁷.

Price Stability and Economic Productivity

To make our price policy an integral part of our economic policy, we must be able to recognize those relationships as well which exist between the productivity of our economy and the price system or price mechanism to be implemented. The productivity, the efficiently usable capacities and the export-output of the economy determine the size and structure of the available and divisible resources and, therefore, the extent to which needs can be satisfied and the methods to be used as well. Among other things, they determine the harmony between commodity stocks and purchasing power, between supply and demand, that is, the supply of goods. It is basically the productivity of the economy which determines whether or not relative price stability is possible, and if so, to what extent.

Within this system of interrelationships there may be instances when, for example, a relatively significant shortage of resources may arise in the economy, because the efficiency of production did not improve properly or to the extent it might have been expected, or because the utilization of external resources fell short of the forecasted level. Under these circumstances the inflationary pressures on our economy--especially given the peculiarities of our present price system--may be extremely great. In such cases our economic policy must decide which alternative is better: to undertake a greater price level increase as demanded by equilibrium requirements, and thereby limit purchasing power, together with all the economic and political consequences which such a policy may bring about; or to slow down price increase which, however, would bring with it shortages of commodities, a deterioration in the supply of goods, but also a certain degree of loosening of the ties between commodities and finances depending on the seriousness of the disequilibrium.

It seems that it would be more advantageous to go with the first alternative, because in spite of all the problems surrounding it, it has less negative effects. The primary reason for this is that it provides better conditions for improving the efficiency of the organization of commodity supplies both from the political and economic point of view, and for consistently preserving the positive effects resulting from the relations between commodities and finances. If we decided to select the second alternative, the relationship between commodities and finances may become deemphasized, and we are all familiar with the adverse economic consequences which such a development might result in.

Within the above described system of interrelationships, however, it may also happen that our national economic resources and allocation possibilities develop in a more favorable direction than previously expected (i.e. efficiency may improve more rapidly than predicted; foreign economic conditions may develop more auspiciously than assumed). This relatively more favorable situation naturally improves the chances for establishing relative price stability, and we must indeed take advantage of it. Even under such favorable circumstances, however, we must be ready to implement necessary and justified price increases--precisely to build a stronger foundation for more efficient economic management and, therefore, for a better future. Surplus resources resulting from situations which turned out to be more favorable than expected must be used to improve the standard of living not by dispensing with justified price increases, but by returning them to the consumers in the form of wages and by devoting them to improving the efficiency of production. Using this approach, we can lay the foundations for a future improvement in the standard of living which will originate from the production side and which will be more soundly supported.

During the period of the Sixth Five-Year Plan the above mentioned alternatives may arise not only in theory but also in practice. This possibility is all the more real since we are objectively forced to accept this, compared to the previous periods, large price level increase as an economic necessity. We are compelled to do so for two reasons: In part, because of our given equilibrium situation (when we must use price as an instrument to redistribute incomes and to influence the equilibrium), and in part, because--even though in the past few years we have made some significant progress--we have fallen behind in the modernization of our price system. During the coming plan period, therefore, we must continue to try to make up for the lag, and especially to improve our price proportions. As a whole, however, these steps will have a price-level raising effect.⁸

At the same time we must also be prepared, that external inflationary pressures will continue to be intensive. In a world, in which we are surrounded by inflation we will not be able to completely detach ourselves from its effects, although we will, to the best of our abilities, try to do everything possible to improve the efficiency of our production, and having accomplished that, to use it as a basis for attempting to correct and moderate the effects of external inflation, by way of an active foreign exchange policy.

As far as foreign economic conditions are concerned there, too, we may have to face some unexpected adverse effects, although naturally favorable effects must also arise. At the same time, however--as I have already mentioned in connection with the rate of development--it is possible that during the second half of the plan period the rate of resource accumulation will speed up compared to the present levels. During the plan period, therefore, we cannot discount the possibility of resource accumulation, whether it be smaller or greater than the present realistically verifiable levels; consequently, we cannot say for certain that our economic policy and price policy will not have to face the above described dilemma.

The problems of price- and economic policy outlined here indicate that during the coming period we must be flexible in both our economic-political and our price-political practices. This means that we must be consistent in our practical implementation of the correct principles of our price- and economic policy, and

that we should give our price policy the important role it deserves within our economic policy. In other words, we cannot disregard the indispensable role of our price policy, but at the same time we must be aware of its objective limitations. Only by making it an organic part of the system of measures available to economic management can our price system be expected to fulfill the important functions entrusted upon it.

FOOTNOTES

1. This price system is competitive in nature primarily because it brings domestic production into direct competition with world market prices, and it is on the basis of these which our producers must prove themselves in their economic activities.
2. This price calculation does not apply to the construction industry and agriculture, for example. Price calculation for these is based on the principle of domestic prime costs.
3. This was convincingly demonstrated by the 1979 price adjustment. The July 1979 increase in the consumer price of energy sources was somewhere between 25 to 30 percent compared to earlier increases. This significant price increase was hard on the population (the full yearly energy cost of the average household, not counting gasoline, is almost 10 thousand forints). According to preliminary data, the price increase has brought about the following changes in popular consumption:
 - between 1979 and 1980 the population's gasoline consumption increased by 1 percent per year, as opposed to the 9.3 percent yearly rate between 1975-1978;
 - household heating fuel consumption increased only by about 0.6 percent a year between 1979 and 1980, as compared to the 3.3 percent average increase between 1975 and 1978;
 - electricity consumption between 1979-1980 increased by some 2 percent, as opposed to the almost 10 percent yearly increase during the previous 3 years.
4. A good example for this are the appropriate increases in construction material prices. These, on the one hand, may reduce inadequately supported investment purchasing power, and on the other they--prices which have been increased in accordance with the growth in social costs--may compel us to be more savings-minded in our construction material consumption, thereby producing genuine energy savings as well.
5. By this we mean that the centrally created economic measures of management are used--based primarily on material incentives--to urge and compel producers and consumers in an indirect manner, and without turning to the use of separate central interferences or regulations in each case, to act in accordance with the interests of the national economy.
6. Losing enterprises and cooperatives are in essence marketing their products at a price which does not ensure them a return that would cover their costs, which

is why they do not realize a profit. Lacking adequate funds are those enterprises and cooperatives which, while potentially profitable, are unable to establish a fund (primarily a development fund) from the prices received from marketing which would enable them to fulfill their undertaken obligations (such as paying back their loans).

7. In state farms, for example, the lack of material incentives may be temporarily offset by issuing directives (i.e. by predetermining their crop system). In the case of household farms, however, such predeterminations cannot be made.
8. A higher increase in the price level could already be observed during the Fifth Five-year Period. The average yearly increase in the price level of the gross national product during the period of the Fourth Five-Year Plan (between 1971-1975) was 2.4 percent, while during the Fifth Five Year Plan it was 4.9 percent. This was also characteristic of the consumer prices: on the yearly average during the two periods, the increase in the consumer price level was 3.3 percent and 6.2 percent, respectively. The Sixth Five-Year Plan is predicting a 4 to 5 percent increase in consumer prices.

9379

CSO: 2500

UTILIZATION OF EXCHANGE RATE POLICY VIEWED

Budapest FIGYELŐ in Hungarian No 1, 7 Jan 81 p 13

[Article by Gabor Oblath: "Exchange Rate Policy and Adaptation of the Economy"]

[Text] The traditional theory of devaluation used by Riecke Werner as the source of his arguments to provide a basis for our exchange rate policy has been the subject of sharp attacks in recent times. (As the author, by devaluation I mean real devaluation.) This may mean keeping exchange rates at a constant level or upvaluation by less than the difference in domestic and foreign price rises, while foreign prices are increasing faster than domestic prices.

Devaluation may be objected to on the basis that it is unnecessary: the Hungarian economy is flexible enough so that the limitation of domestic demand is sufficient to cause changes in the production and consumption structure to ensure that trade balance is reestablished in an efficient manner.

Diametrically opposing considerations may also lie behind the opposition to devaluation: The Hungarian economy is so inelastic that devaluation does not make sense because, by itself, this is insufficient to influence the structure of production and consumption.

There is no need to demonstrate that it matters a great deal whether it is "impossible" or "unnecessary" to formulate an exchange rate policy consistent with the efficient reestablishment of the trade balance. This question must be answered by the opponents of devaluation. I agree with the statements and conclusions of Riecke Werner, so I will merely add a few thoughts to the ideas discussed in his article.

If an economy is not totally insensitive to changing price relationships, while at the same time demand and supply are not infinitely elastic, then a real devaluation of the domestic currency may contribute to the efficiency with which the economy adapts to the need to reduce the trade deficit by increasing the price of goods obtained for foreign currency as well as those that can be used to purchase them or substitute for them, relative to other goods and services.

Devaluation is necessary for reasons other than just a changing foreign trade balance. When balancing foreign trade is a necessity, then balance will be established somehow; if all else fails, by reduced re-production leading to declining import demand. An economy totally insensitive to price changes is capable only of this kind of quantitative adjustment. Adaptation may be made more efficient if the

devaluation leads to expanded production for export or import substitution using resources that would not otherwise be utilized because of limited domestic demand. If it is possible to channel demand away from exportable or import goods toward other goods then higher levels of domestic utilization may be consistent with the desired or necessary position of the balance of trade.

Of course, devaluation does not change the basic fact that an improvement in the trade balance necessitates slower expansion of domestic consumption relative to production. For this reason, restricting domestic demand is unavoidable. It is necessary in part because relative price increases in the competitive product sphere raise costs in the non-competitive sphere. The only effective economic brake on passing on such cost increases is a hardening of the limitations on demand. If domestic factors tending to raise prices can be held in check then devaluation provides an impulse to engage in activities resulting in extra income. The emergence of this process assumes not only the need to adapt to changing price relationships but also the possibility of such an adaptation; i.e., that resources may be mobilized and redistributed toward activities that are becoming more profitable. Thus it is necessary in fact to ensure that the economic conditions whose effects are purportedly simulated by the "competitive price system" increasingly become an economic reality. This is a precondition not only for the effectiveness of devaluation but also for preventing a situation where foreign trade imbalance can become a long range obstacle to economic development.

This leads me to object to the ideas, repeatedly discussed in the specialized press, which want to use exchange rate policy both to fight inflation and to force improvement in export efficiency. This idea ignores the fact that rapid expansion of exports is accompanied in the short run by higher limiting costs. These costs, however, are worth bearing and recognizing if the other ways of balancing foreign trade are even more costly. The costs of increased exports must be compared with the costs associated with administrative import restrictions or a reduction in production sufficient to reduce import demand in general. For this reason, it is impossible to qualify the effects of improved export efficiency achieved by squeezing out marginal exports. The economic conditions necessary to squeeze out marginal exports will be created by the expansion of efficient exports. The "requirement to improve export efficiency" is of little help in this regard or in increasing exports in general.

The structural obstacles to increased capitalist exports can hardly be resolved without spending, merely by making conditions more difficult. A practical approach intended to force improvements in efficiency, since it would not consider the realities of the Hungarian economy, would only lead inexorably toward the proliferation of export subsidies instead of an improvement in export efficiency, resulting in a more rigid structure that is less efficient. Improvement in export efficiency is a long range task whose solution requires that highly efficient exporters have the incentives and opportunities to expand their production and thereby gradually squeeze out weaker exports that are still needed at the present time.

I did not deal with the fight against inflation; not just because, in my opinion, much more serious real economic problems than the rate of price increases are awaiting solution, but also because, in my view, putting a lid on price increases can only be accomplished by restricting the competitive sphere and side-stepping the elimination of the domestic reasons behind creating the conditions necessary for relative price stability.

FOREIGN TRADE CONTRACTS IN LIGHT OF NEW REGULATIONS

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[Article by Prof Dr Ion Rucareanu and Dr Victor Babinc: "Foreign Trade Economic Contracts in the Light of the New Legal Regulations"]

[Text] 1. Law No 71/1969, as amended and supplemented by Law No 3/1979, adopted in the generalized application of the new economic and financial mechanism, achieves considerable legislative progress in both the regulation of economic contracts, in general,¹ and the regulation of foreign trade economic contracts, in particular. For the first time in Romanian socialist law, the law achieves the general regulation of foreign trade economic contracts in the context of a general theory of economic contracts. In fact, after Section 1 of Chapter III contains a number of provisions common to foreign trade economic contracts and international commercial contracts, "domestic contracts for carrying out export and import operations" are treated separately in sections 3 and 4 of the same chapter.

At the same time, foreign trade economic contracts are also regulated in correlation to international commercial contracts, for which the Law on Economic Contracts reserves Section 2 of the same chapter.

2. The new legal regulation offers us rigorously exact scientific definitions of the legal concepts of economic contract and foreign trade economic contract. The general concept of economic contract is defined not only from the viewpoint of domestic economic activities but also from that of foreign ones.

According to the legal definition, economic contracts are those contracts that are concluded between socialist units with regard to the supplying of products, the execution of work and the performance of services, providing for the substantiation and fulfillment of the targets of the sole national plan, in order to attain the objectives provided for economic and social development and meet the requirements of the activity of exportation and international economic cooperation (Art 1, Par 1, and Art 2). Starting from the role of cardinal importance that economic collaboration with other states acquires in our national economy and from the imperatives of the new economic and financial mechanism, in the law's preamble it is pointed out that "In the field of foreign trade activity, the system of economic contracts must provide for the intensification of the activity of foreign trade and international economic cooperation, of the economic exchanges of our country with other countries."

The emphasis on the purpose of economic contracts in the field of foreign trade and economic cooperation with foreign countries results not only from the fact that domestic contracts for foreign trade are a species of economic contracts but also from the fact that exchanges with foreign countries also involve—on the plane of domestic relations—economic contracts other than those for foreign trade.

Within the new regulation, the special concept of foreign trade economic contracts acquires a more complete definition. The earlier legislation and the legal literature² defined this concept incompletely. Thus, Article 24 of Law No 1/1971 on the activity of foreign trade and economic, scientific and technical cooperation of the Socialist Republic of Romania prescribes that "For achieving the plan targets that devolve upon them, the foreign trade units conclude with the Romanian economic organizations foreign trade economic contracts on a commission or trade-discount basis. The foreign trade enterprises can also make purchases of goods in order to sell them on their own account through exportation," and the legal norms going into effect in 1977, removing from the sphere of foreign trade economic contracts those on a discount basis, retained as such contracts only the commission contract, provided, as a rule, for importation, and the export supply contract. These latter norms, amending from a terminological viewpoint the provisions of Article 24 of Law No 1/1971, which refers to the sale and purchase contract, call it a supply contract, with only the second being an economic contract and the first having the characteristics of a common-law contract.

The reduction of foreign trade economic contracts to the commission contract and the supply contract contravened both the foreign trade legislation and the economic and legal realities to which it gives expression. Eliminating this situation, the law on Economic Contracts, amended by Law No 3/1979, embraces completely in the definition of foreign trade economic contracts the categories and the object of these contracts. Thus, Article 52, letter b, provides that "The activity of foreign trade and international economic cooperation is done on the basis of domestic contracts for carrying out operations of exportation, importation and international economic cooperation, concluded between the units producing for exportation or receiving imports and the foreign trade enterprises," and Article 72, Paragraph 2, prescribes that "The relations between the producing units and the foreign trade enterprises, for carrying out export or import operations, are established...by means of commission economic contracts and economic contracts for supplying, execution of work or performance of services for exportation."

In the light of the above, the legal concept of foreign trade economic contract depicts that category of economic contracts that have as an object the supplying of products, the execution of work and the performance of services between economic units and foreign trade enterprises,³ in order to carry out operations of exportation, importation and international economic cooperation. Besides supply and commission contracts, the enterprise contract for design, the enterprise contract for building-assembly and other contracts for execution of work or performance of services that can arise between the foreign trade enterprises and the other Romanian economic units for carrying out a foreign trade operation will thus be foreign trade economic contracts.

The more comprehensive definition of the concept of foreign trade economic contracts proves to be all the more necessary because the achievement of a complex foreign trade operation entails the conclusion both of supply contracts and of design

contracts, scientific research contracts, enterprise contracts for building-assembly or contracts for specialized technical service by the foreign trade enterprise with the other Romanian economic units involved in this operation. We mention in this regard the provisions of Article 58 of the Law on Economic Contracts, referring to contracts for cooperation concerning complex exports—installations and other facilities executed abroad. The general supplier is responsible for the achievement of the complex export, under the conditions and on the dates stipulated in the international commercial contract, for which purpose it must provide, in the main—among other things—the contracting for the implements, materials, subassemblies, technological lines and equipment with the subsuppliers, for the design and research work with the general designer and for the building-assembly work and specialized services with the general contractor.

3. The necessity of regulating this category of economic contracts results from the circumstance that foreign trade activity, as regards both export operations and import operations, is achieved either directly, when the foreign trade enterprise or the Romanian economic unit authorized for this purpose directly establishes legal relations with the foreign party, or indirectly, when the Romanian economic unit producing goods, executing work or performing services for exportation or receiving such prestations through importation resorts to the services of an intermediary that enters into legal relations with the foreign party. As a result, in the case in which the foreign trade activity is achieved directly, only a foreign contract (an international commercial contract) is concluded for each foreign trade operation, while in the case in which the foreign trade activity is achieved indirectly, the Romanian economic unit concludes one or more foreign trade economic contracts with the foreign trade enterprise or with the unit authorized to directly achieve foreign trade operations. In its turn, the intermediary concludes with the foreign party the foreign contract needed for achieving the export or import operation.

The institution of foreign trade economic contracts is based on the principles of the state monopoly in foreign trade, of the planning of foreign economic activities, of the integration of foreign trade activity with production, of the optimization and efficiency of operations of exportation, importation and international economic cooperation, of worker self-management and of economic and financial self-administration in this field. By means of its content and functions, the foreign trade economic contract constitutes a basic instrument in the activity of planning and fulfilling the provisions put in the plan for exportation, importation and international economic cooperation. In conformity with Article 10 of Law No 1/1971 and Article 8, Letter k, of Law No 8/1972 with regard to the planned economic and social development of Romania, the plan in the field of foreign economic exchanges constitutes a component part of the sole national plan for economic and social development and is implemented through the execution of foreign trade economic contracts and international commercial contracts. On the other hand, according to Article 17 of Law No 1/1971 and Article 48 of Law No 8/1972, the producing units and the foreign trade enterprises draw up their plan for exportation, importation and international economic cooperation on the basis of the prospecting of foreign markets, of their own studies regarding the situation of the foreign market, and of the foreign trade economic contracts and the international commercial contracts concluded.

4. Although they belong to the broad category of economic contracts, foreign trade economic contracts present some distinct characteristics, determined by the sphere of economic relations in which they arise—that of foreign trade—and by the

economic functions that they have to fulfill. Thus, on the one hand, the economic units producing goods, executing work or performing services for exportation or receiving such prestations through importation and, on the other hand, the foreign trade enterprises or the economic units authorized to directly carry out foreign trade operations are parties to these contracts.

As we stated above, in the case of foreign trade economic contracts, too, we find the connection between the plan and the contract or, with a hallowed expression, the unity between the plan and the contract. However, the planning documents in this field present some individual characteristics. Thus, the targets of the plan for exportation, importation and international economic cooperation are deployed by ministries, the other central bodies and the executive committees of the county people's councils and that of the municipality of Bucharest, both in the plan of the producing, service-performing and work-executing economic units and in the plan of the foreign trade enterprises (Art 19 of Law No 1/1971; arts 46-49 of Law No 8/1972).

Beginning with 1977, the planning activity in the foreign trade field was enriched with a new factor--namely, the annual agreements that, on the basis of the provisions in the five-year plan, the Ministry of Foreign Trade and International Economic Cooperation (MCECEI) concludes with the economic ministries or other central and local bodies for the goods meant for exportation. The data sheets and specifications drawn up for products or groups of products by the foreign trade enterprises and finalized with the centrals and the economic units producing goods for exportation are appended to these agreements. The data sheets and specifications contain the measures and conditions that must be taken into account for completely fulfilling the export plan on schedule, for improving the assortment structure, the quality and the technical and functional performances of the products, for raising their degree of utilisation, for improving the manner of display and packaging, for promptly adapting production to the demands of the foreign market and for continually raising the competitiveness of the goods and their valuta efficiency.

These agreements do not have a static character. Annually, but no later than 30 days after approval of the plan for the next year, the MCECEI, together with the other ministries or central bodies, details them, and the appendices are concretized by the foreign trade enterprises together with the centrals and the producing units, specifying the structures according to assortments and prototype dimensions of the goods, there also being taken into account the changes occurring with regard to the five-year plan's provisions for the respective year, as well as the demands of the foreign market.

In accordance with the provisions of the export plan, of the agreements that the MCECEI concludes with the economic ministries and of the data sheets and specifications appended to the agreements, the producing units conclude with the foreign trade enterprises economic contracts for supplying for exportation.

Regarding imports, they are achieved on the basis of the tasks resulting from the import plan, with the administrative planning document--for the commission economic contract--consisting of the import data sheet.

5. The obligation of the foreign trade enterprises and the commodity-producing, work-executing or service-performing economic units to conclude foreign trade

economic contracts has its source in the general obligation of the economic units, provided by articles 7 and 8 of Law No 71/1969, to conclude economic contracts. Thus, the law requires the socialist units "to conclude contracts, within the framework of their manufacturing specialty, for all the products ordered by customers in the structure and assortment corresponding to the plan targets, for meeting the demands of domestic and export consumption," and, on the other hand, "prohibits the act of putting into manufacture products that do not have sale ensured by means of contracts or firm orders for domestic consumption or on the foreign market."

As foreign trade economic contracts constitute the instrument for fulfilling the targets in the plan for importation, exportation or international economic cooperation, their conclusion is mandatory both for the producing units, on the one hand, and for the foreign trade enterprises, on the other hand.

According to the object of the foreign trade operation for which they are concluded, the Law on Economic Contracts distinguishes two types of foreign trade economic contracts, namely: a) commission contracts and b) contracts for supplying, executing work or performing services for exportation. The parties to these contracts do not have the freedom to choose the type of contract, they being obligated to achieve imports, as a rule, by means of commission contracts and exports on a basis of contracts for supplying, execution of work or performance of services.

6. In view of their nature as economic contracts, the contracts concluded by the foreign trade enterprises with the Romanian economic units in order to fulfill foreign trade tasks are subject to the general theory of economic contracts. At the same time, the general theory of economic contracts cannot be applied automatically to foreign trade economic contracts but only by taking into account their particular specificity, as we stated above, the field in which they arise and the functions that they fulfill.

This particularization of the general theory of economic contracts is achieved by the very Law on Economic Contracts, which, as we stated above, contains in separate sections rules specific to foreign trade economic contracts. The same particularization is authorized by law and by way of interpretation, according to Article 77.

The application in the stated manner (by taking into account the characteristics of foreign trade economic contracts) also involves the special norms for the different categories of foreign trade economic contracts. Thus, "economic contracts, in relation to the object"—Article 14, Paragraph 1, prescribes—"can be for delivery of raw materials, supplies and products, for cooperation in production, for supplying of energy, for scientific research, design, building-assembly work and other prestations specific to the economic relations between socialist units." According to Paragraph 2 of the same article, the legal regime for each of these categories of contracts is established in conformity with the Law on Economic Contracts and the regulations specific to the field of activity and in compliance with the framework determined by means of the model contract drawn up according to branches, groups of products or categories of work and services. The application in a suitable way, in keeping with their distinctive traits, also involves, on the basis of Article 77 of the law, the regulations proper to each of the categories of economic contracts enumerated by Article 14, Paragraph 1, in the situation in which they appear as foreign trade economic contracts.

On the very basis of the provisions mentioned in the Law on Economic Contracts, foreign trade economic contracts are also subject to the regulations specific to the activity of foreign trade and international economic cooperation and, in particular, those contained in Law No 1/1971.

Finally, the contracts with which we are dealing, like any economic contracts, are also subject to the norms of general civil law, insofar as they are not contrary to the Law on Economic Contracts or the nature of the relations between socialist units. This is what Article 97 of the law prescribes. Although the above-mentioned legal provisions refer only to the Civil Code, we specify that, besides the norms contained in the above-mentioned code and in civil legislation, those norms in the Commercial Code that were included in general civil law after the repudiation of the duality of private law are also included in the system of our socialist civil law.⁴ As an example, we mention the norms in the Commercial Code referring to the commercial mandate and to that variety of it that is the commission contract.

7. The Law on Economic Contracts lays down a number of special legal norms concerning economic contracts for supplying, execution of work or performance of services for exportation. Provided in the earlier legal norms only for the supply contract, these rules are also extended to contracts for execution of work and performance of services for exportation. Thus, according to Article 75, Paragraph 1, economic contracts for supplying, execution of work or performance of services for exportation are concluded on the basis of foreign contracts, issued within 10 days after receiving the orders by the foreign trade enterprises. At the same time, Paragraph 2 of the same article specifies that obligations will be included in the export supply contract in strict correlation with the corresponding foreign contract.

By means of the specified provisions, the Law on Economic Contracts lays down two rules of maximum importance: that of the anteriority of the foreign contract⁵ and that of the correlation of the content of the domestic contract with the foreign contract. Both rules are perfectly well founded. As has been stated, foreign trade activity is done on the basis of the plan for exportation, importation and international economic cooperation, which is a part of the sole national plan for development. In the application of the new economic and financial mechanism, foreign contracts have acquired the function of an instrument for substantiating the plan for exportation, importation and international economic cooperation. By way of consequence, in view of the close connection between the foreign contract and the export supply contract—the first being the premise for the second, which, in its turn, constitutes an instrument for implementing the first—the foreign contract has an important role in configuring the plan targets that are the basis for the export supply contract. From this comes the necessity of the rule of the anteriority of the foreign contract and of the perfect agreement between the content of this contract and that of the domestic contract for exportation, rules that tend to ensure not only the complete coverage of the plan targets with foreign contracts but also the achievement of the production for exportation and its delivery under the agreed conditions.

At the same time, the Law on Economic Contracts (Art 75) makes some exceptions to the rule of the anteriority of the foreign contract. Thus, according to the legal norms to which Article 75 refers, export supply contracts can be concluded before foreign contracts for goods that are the object of exchange and auction transactions: cereals, gasoline, gas oil, fuel oil, aluminum, salad oil, sugar, cement and

lumber. The exception is justified by the great demand for such goods that exists on the international market, so that difficulties in selling them through exportation are unlikely to occur. Then, for other goods, export supply contracts can be concluded before foreign contracts only in cases justified by the situation or other requirements of a commercial nature. In these situations, the exception to the rule of the anteriority of the foreign contract is permitted on the basis of prior approval, given at the proposal of the Council of Ministers and at the request of the Ministry of Foreign Trade and International Economic Cooperation.

8. In principle, the effects of this contract are those characteristic of any contract for supplying goods, executing work or performing services. However, some brief additional explanations are necessary. Referring as an example to the delivery (supply) obligation, the main obligation to which the export supply contract gives rise, it is executed by the producing economic unit through the shipping of the goods, as a rule, to the foreign customer (or to the destination that the latter communicated to the foreign trade enterprise party to the foreign contract). According to the law, however, the delivery condition for the producing unit is franco the Romanian border, with the consequences that result from this with regard to the moment of the transmission of the right of direct administration (or the right of ownership), the bearing of the risks in the case of accidental damage to or disappearance of the goods, and the bearing of the transport costs.

For ensuring the execution of the operation of exportation of goods, the law introduces an exception with regard to the duration of the delivery obligation, in the sense of its prorogation "for the whole period of validity of the engagement established with the foreign partner..." (Art 66). In this way, not only is the agreement of the economic contract with the foreign one—in this regard—ensured but also the possibility of executing the obligation of delivery to the foreign partner is ensured. On the other hand, with a view to the proper execution of the obligations that devolve upon them, the law lays down the obligation of the parties to the export supply contract to collaborate, establishing the programs with the measures needed for executing each contract (Art 67).

The prices practiced are the usual domestic ones, established in conformity with the legal norms. However, the existence of the foreign contract can influence these prices. Thus, to the usual prices it is possible to add the cost of the package or of expenses caused by the making of a special package or of other operations arranged by means of the contract. In addition, regarding the delivery condition of franco the Romanian border, the transport costs are incumbent upon the producing unit. Likewise, the insurance costs could also be.

The legislator devoted special attention to the quality of the exported goods and to their technical performances, attention justified not only by the necessity of gaining and keeping a foreign market but also by the necessity of efficient foreign trade. In this regard, Article 65 of the Law on Economic Contracts prescribes that the producing economic units are responsible for delivering the goods "in compliance with their quality conditions and technical performances," in conformity with the clauses arranged by means of the international commercial contract and the export supply contract. To the same end, Article 68, Paragraph 1, of the law institutes, in the responsibility of the Ministry of Foreign Trade and International Economic Cooperation and the foreign trade enterprises, the obligation to control, through their own representatives, in the plants and factories, the way in which the goods

under contract for exportation are introduced into manufacture and are achieved and to bring about prompt measures for complying with the contractual obligations. In addition, the obligation to control the execution of the goods, according to manufacturing flows, also devolves upon the control bodies in the producing units and upon those of the State Inspectorate General for Quality Control of Products (Art 68, Par 3).

At the same time, for certain goods, particularly machinery, equipment and complex installations, for which the ensuring of quality and technical performances and the their behavior in operation are decisive in promoting exports and keeping foreign markets, the foreign trade enterprises can achieve the quality control through specialized control bodies, on a contractual basis, including by resorting to the services of the Office for the Control of Goods within the Chamber of Commerce and Industry of the Socialist Republic of Romania (Art 68, Par 2, and Art 70 of the law). On the other hand, the producing unit must provide, if necessary, the spare parts required and the service activity.

At the same time, as the quality of the goods offered for exportation is established by means of data sheets and the specifications appended to the annual agreements concluded by the MCECEI with the economic ministries, other quality conditions arranged by means of the foreign contract may not be demurrable to the producing unit unless they were accepted by it in advance or they were approved (Art 74, Par 2, of the law).

A special situation exists in the case in which the export supply contract was concluded under derogatory conditions, that is, before the foreign contract, and the goods were not shipped to the foreign customer on the dates arranged by means of the export supply contract. In such a situation, according to the legal provisions, the goods will be taken over on the due date by the foreign trade enterprise party to the contract, it paying the proper price to the producing economic unit, with the goods being sent to the foreign customer, within 60 days after payment, through the good offices of the other contracting party. The solution results from the foreign trade enterprise's position as holder of the commodity.

Likewise, in the cases in which, although the producing unit has fulfilled its obligation stipulated in the export supply contract, the goods cannot be delivered to the foreign customer, in the quantity, on the dates and under the conditions stipulated by the international commercial contract, due to a delay in receiving the means of transportation, the failure to open the letters of credit, the cancellation of international commercial contracts or other causes of their nature—and which exclude any fault on the part of the Romanian economic unit party to the foreign trade economic contract or the foreign contract—the foreign trade enterprises will take over these goods, which they will still leave in the custody of the producing units, in accordance with the report drawn up for this purpose, with all the consequences that result from this for the party, on the basis of the storage contract. At the same time, the foreign trade enterprises and the economic ministries have the obligation to take all the steps to utilize these goods, within 60 days after taking them over.

9. Of course, the nonexecution or unsuitable execution of the obligations assumed by the parties by means of the export supply contract entails the responsibility of the party at fault. As in general within the framework of an economic contract, the

responsibility can take two forms: the payment of penalties and, if necessary, damages. In this regard, Article 79, Paragraph 1, of the Law on Economic Contracts prescribes that "the producing units are responsible for all damages or expenses borne by the foreign trade enterprise as a result of claims formulated by foreign partners that are caused by the violation of the obligations assumed by these units by means of the contract." The compensation so determined—it is specified in Paragraph 2—"is due insofar as the damages are not covered by penalties." The same solution is also applicable in the favor of the producing unit, insofar as the damage may have been caused to it by the improper conduct of the foreign trade enterprise.

As the export supply contract is an economic contract, whose legal nature is that of the supply contract, it is natural for the penalties provided by law for the nonexecution or unsuitable execution of the obligations that result from the contract to completely find their application. This is a solution that also results from Article 77, which refers to the regulations in Chapter II of the law, with the taking into consideration of the specific character of foreign trade activity, but this specific character, in the present case, does not exclude the application, in principle, of the penalties established by means of the law. As a result, the sanctions provided in Article 47, points 1-6, of the law—for being late in executing the obligation to deliver or to take over the goods or in making the packages available, for not following the procedures for carrying out reception, for labeling, for stamping or for paying the price, and so on—will find their application. However, in view of the importance that foreign trade activity has for the national economy and the necessity that foreign commercial obligations be honored in an exemplary manner, it being possible only in this way to "gain" and "keep" a foreign market and achieve efficient foreign trade, the law increases the responsibility within the framework of the export supply contract, in the sense of applying double the penalties provided in Article 47 of the law (Art 81, Par 1). At the same time, a special sanction is instituted for the case of the late delivery, by the producing unit, of the documents needed for collecting the price of the commodity from the foreign partner.

The responsibility of the parties to the export supply contract for the nonexecution or unsuitable execution of the obligations assumed goes, in general, along the line of solutions traditional to supply contracts. However, taking into account the specific character of foreign trade activity and the interdependence existing between the foreign contract and the export supply contract, the legal norms also prescribe that the foreign trade enterprise—party to both contracts—must handle the complaints of the clients, within the periods and under the conditions stipulated in the international commercial contracts, with the participation of the producing units. This is a rule meant both to lead to the prompt and suitable handling of these complaints and to increase the responsibility of the producing units in handling them. Consequently, the conditions and methods for participation by the producing units in handling the complaints must be established in the export supply contract.

Between the foreign trade enterprise and the producing economic unit there must thus be permanent collaboration in handling the complaints of foreign partners. In the situation in which the producing unit was not asked to participate in handling these complaints and proves that it would have had the means needed to reject the claims, the foreign trade enterprise can no longer recover from the producing unit the equivalent value of the damage suffered.⁶

In addition, the periods and procedures for finding and complaining about the possible deficiencies in quantity or quality must be respected rigorously, under penalty of forfeiture of one's rights. Thus, in two cases handled by the Central State Arbitration Office, it was decided that, in the cases in which the finding of the deficiencies was not done within the established periods and under the established conditions, the damage suffered by the foreign trade enterprise through the payment of rebates to the foreign partner has to be localized in its holdings, without possibility of recovery from the producing unit.⁷

10. Another kind of foreign trade economic contract regulated for the first time at the level of the law is the commission contract.

Introduced in 1970 as a main legal instrument for carrying out foreign trade activity for the economic units that are not authorized to directly achieve foreign trade activity, it was confirmed as such by Law No 1/1971, under the name of foreign trade economic contract on a commission basis, usable for achieving both export and import operations. Since 1977, the commission contract has been used only to achieve import operations. By way of exception, it can be used for export operations in economically justified cases, at the proposal of the economic ministries and with the advice of the Ministry of Foreign Trade and International Economic Cooperation and the Ministry of Finance.

The Law on Economic Contracts, as amended and supplemented by Law No 3/1979, reaffirms the use of the commission contract, in accordance with the stated distinctions, determines with full clarity its legal nature and establishes its effects according to law and the financial responsibility of the parties, thus supplementing the existing regulations.⁸

As follows from the provisions of Article 72 and Article 73, Letter a, of the law, the commission contract is the economic contract by means of which the foreign trade enterprise, as agent, is obligated to the producing economic unit, as principal, to conclude, on the basis of the authorization given by the latter, an international commercial contract on its own but for the principal.

Although the contrary has been maintained,⁹ in our opinion, the commission contract can be concluded not only by the foreign trade enterprise but also by the unit authorized to directly achieve foreign trade operations. The argument invoked in support of the opinion that we do not share, in the sense of which the authorization to directly perform foreign trade operations means an extension of the unit's capacity for use within the limits of its specialty, is refuted by the principles for organizing the enterprises and units authorized to directly achieve foreign trade operations, established by Decree No 276/1979 on some measures for improving the activity of foreign trade, principles that confer on each enterprise of this kind, as a rule, the capacity of sole importer for the economy.

The international commercial contract concluded by the agent-foreign trade enterprise with the foreign party gives rise to legal relations only between them. The circumstance that the establishing wording of the international commercial contract may mention the principal-enterprise or it may be directly involved in executing the international commercial contract, as is indeed the case due to the integration of foreign trade activity with production, has no relevance in this regard, since, according to Article 406 of the Romanian Commercial Code in force, the agent is

directly obligated to the person with which it concluded the contract, as if the affair were its own. The principal has no action against the persons with which the agent concluded the contract and they do not have any action against the principal.¹⁰ Although the specified provisions stipulate that the principal has no action against the third party with which the agent concluded the contract, the Commercial Code does not prohibit the agent from transferring its actions to the principal, so that the latter can exercise the rights of the agent with regard to the third party. Legal practice and the legal literature are to this effect.¹¹ However, it must be pointed out that this solution is not applicable to the special matter of the commission concluded by the foreign trade enterprise, since it is incompatible with the principle of the specialty of the capacity for use, as determined by the state monopoly in foreign trade, which prohibits the producing enterprise from operating directly in the foreign market.¹²

In the relations between the agent-foreign trade enterprise and the principal-economic unit or in the relations between the agent and its creditors, the rights acquired on the principal's behalf pass directly to it, right at the moment of acquisition. Applying this rule, Article 74, Paragraph 3, of the Law on Economic Contracts prescribes that "The right to the commodity and the corresponding risks are transmitted directly, under the conditions of the foreign contract, from the unit producing for exportation to the foreign partner or from the latter to the import-receiving unit, depending on the nature of the foreign trade operation." The agent has the obligation to perform all the acts required so that the rights may also be acquired by the principal-enterprise with regard to the third party.

The object of the commission contract consists of the authorization given by the principal to the agent to perform one or more legal acts *proprio nomine*, but for the principal, which is obliged to pay it a remuneration called a commission.

In accordance with the obligation of the socialist units to conclude a contract with a complete content, containing all the clauses of a nature to ensure the fulfillment of the plan target, the Law on Economic Contracts regulates precisely the object of the authorization, stipulating that it must include the foreign trade operations that the agent is to perform, their conditions for negotiation and the technical and economic documentation required, as well as any other elements for concretizing the implementation of the relations between the principal and the agent (Art 73).

11. In the relations between the principal and the agent, the producing unit is responsible for executing the obligations established for it by means of the documents concluded by the foreign trade enterprise, within the limits of the authorization given. The conclusion or amendment of the international commercial contract, as of any other legal document, under conditions different from those offered by the producing unit is demurrable to it only if they were done with its prior agreement or insofar as it confirmed them (Art 74, pars 1 and 2). This is the application of the norms of common law to the special case of the commission contract for performing a foreign trade operation. However, there are also other norms of common law concerning the consequences of not complying with the authorization conferred by the principal on the agent that the Law on Economic Contracts does not take up.

Thus, according to the norms in the Commercial Code, the agent can deviate from the instructions received from the principal in the situations in which, according to the circumstances, this becomes necessary in the principal's interest, and the prior

obtaining of its consent is impossible. However, the agent is obligated to immediately inform the principal about the deviation from the instructions received (Art 362, combined with Art 405, Par 2). In our opinion, this rule is also applicable to the commission contract for importation or, in the cases when it is allowed, for exportation, too, especially as the authorization given by the principal to the agent constitutes not only the empowerment for performing a foreign trade operation but also an obligation, both to the principal and to the state, for achieving a plan target established concordantly for both parties to the commission contract.

Other rules of common law stipulate that the authorization conferred by the principal on the agent for carrying out commercial operations can be conceived in general terms. In the case in which the agent has instructions only for some parts of the affair, the authorization is considered open as regards the others. Finally, the authorization for a certain commercial operation also includes all the acts needed for executing it, even if they may not be precisely stated (Art 375, para 1, 2 and 3, combined with Art 405, Par 2). The above-mentioned rules considerably restrict their field of application in our case, since the object of the authorization conferred on the agent-foreign trade enterprise is preestablished not only by means of the concordant plan targets for the principal and the agent but also by means of the legal provisions concerning the conclusion and the content of the international commercial contract, such as those on the bid in Article 53 of the law on Economic Contracts or those in Article 63 of the same law in reference to the mandatory content of international commercial contracts, or the provisions of Decree No 686/1972 on the quality of imported goods. The object of the authorization conferred on the foreign trade enterprise is specified once again by means of the effect of the obligation to conclude a commission economic contract with a complete content. Under these conditions, the hypothesis of an authorization given in general terms or that of the instructions given only for part of the commercial operation is no longer liable to appear in the field of foreign trade economic contracts.

Within these limits, the authorization given by the economic unit to the foreign trade enterprise does not exclude the right of initiative, which would allow the latter to adapt itself to the demands of the foreign market and to achieve an efficient foreign trade operation.¹³ In all cases, the authorization conferred on the agent, in conformity with the mutual trust and the promptness that characterize foreign trade economic relations, includes, implicitly, all the acts needed for executing the foreign trade operation. Thus, the authorization to sell a commodity also includes the authorization to collect the price, and the authorization to collect a bill of exchange also includes the authorization to exercise the bill-collecting action.

For implementing the authorization received, the agent is obligated to conclude the international commercial contract for achieving an import or export operation. At the same time, it is obliged to execute the obligations and to exercise the rights springing from the international commercial contract concluded with the foreign party. The conclusion of the international commercial contract, the execution of the obligations and the exercise of the rights arising on the basis of it entail close collaboration between the foreign trade enterprise and the commodity-producing, work-executing or service-performing economic unit, for selecting the most suitable bid, for amending the conditions in the authorization given initially, if need be, and for negotiating, concluding and executing a contract that would provide efficiency to the foreign trade operation.

After concluding the foreign contract, the agent must inform the principal about the content of the international commercial contract and, in the case provided by Article 8 of Decree No 686/1973 regarding the ensuring of the quality of products resulting from importation, must send it a copy of the contract. In addition, the agent must follow the execution of the foreign contract and utilize all the rights that devolve upon the agent from the contract. Thus, if the foreign partner is late in delivering the contracted goods, the agent-foreign trade enterprise is obliged to take the required steps and to sue it in order to engage its financial responsibility.¹⁴

The agent is the one that makes the payment for the commodity to the foreign party and performs the procedures needed for the payment of the price in lei by the principal. In addition, the agent is obliged to transmit to the foreign partner the complaints about the quality or quantity of the imported goods that the principal formulates. For the favorable handling of these complaints, the agent must have an active position, it being bound by the obligation to sue the foreign partner—before the competent court of jurisdiction—even if it has not received a special authorization in this regard from the principal.¹⁵ This is a consequence of the obligation provided by Article 22, Letter f, of Law No 1/1971 with regard to the utilization of all the rights that devolve upon the Romanian party from the foreign contract. But it is also a consequence of the obligation expressly provided by Article 4, Paragraph 2, and Article 20 of Decree No 686/1973 to recover the equivalent value of the qualitatively unsuitable goods or to obtain their replacement, that is, to obtain rebates and compensation for the damage caused by the unsuitable goods, including the replacement of these goods.

According to common law, the agent is not responsible to the principal for the non-execution or unsuitable execution of the obligations of the foreign partner. The solution results from the fact that the agent-enterprise contracts with the third party on the principal's behalf. It is laid down expressly by the provisions of Article 412 of the Commercial Code, according to which "The agent is not responsible for the fulfillment of the obligations assumed by the persons with which it concluded the contract, unless otherwise agreed." In the absence of the assumption of the obligation to guarantee execution, the agent is obliged only to institute the proceedings springing from the contract concluded with the third parties or to transfer the actions that it would have against the dishonest cococontractors.¹⁶ In order for the agent to be responsible for the execution of the obligations assumed by the third parties, there must be an express agreement to that effect. This guarantee, known under the name of *star del credere*, entitles the agent to a special remuneration, in conformity with Article 412, paragraphs 2 and 3, of the Commercial Code.

Can the stipulation "for credit" provided by the above-mentioned rules of common law be included in a commission contract concluded by the foreign trade enterprise with the producing economic unit? The question is raised since this stipulation is equivalent to insuring against the risk of the nonexecution of obligations or against the insolvency of the foreign party, so that if the latter is late in executing the prestation or goes bankrupt, even due to force majeure, the agent is held responsible.

The assumption of the obligation to insure against the insolvency of the foreign party means an increase in the financial responsibility of the agent-foreign trade enterprise. However, as is known, clauses for increasing or reducing the financial

responsibility resulting from a foreign trade economic contract are, in principle, forbidden by law.¹⁷ From another viewpoint, the contracting of the obligation to insure against the insolvency of the foreign party seems to go beyond the principle of the specialty of the foreign trade enterprise's capacity for use as a juridical person.

In our opinion, the stipulation of guaranteeing the execution of the obligations by the third party in a foreign trade economic contract of the nature of the commission is not incompatible with the regulations specific to the relations between socialist units. The principle of prohibiting clauses for increasing the financial responsibility of the socialist units has exceptions even in the field of general economic contracts. It is required all the more in a foreign trade economic contract connected with an international commercial contract. The increase in the financial responsibility of the agent has as a legal cause the gaining of the right to an additional compensation (commission), which is in keeping with the logic of the principles of consideration and of the equivalence of prestations postulated by economic and financial self-administration in the economic relations between socialist units. Finally, the contracting of the obligation to guarantee the execution of the obligations by the third party is in keeping with the specialty of the foreign trade enterprise's capacity for use as a juridical person, with the conclusion of the commission contract even being mandatory for it for achieving certain foreign trade operations and with the assumption of an obligation like that to which we are referring being of the nature of the commission contract.

Correlatively, the commission contract also gives rise to obligations incumbent upon the principal. Thus, it has the obligation to pay the price of the prestations to the agent, that is, the commission. In addition, it must prepare the data sheets and present them to the agent for endorsement and inclusion in the plan and must give advice in due time on the most advantageous foreign bid, in order for the agent to have the possibility of transmitting the order at the proper time to the foreign partner, giving the agent the technical help needed by it for concluding the international commercial contract. On the other hand, the principal is obligated to organize and perform the reception of the imported goods and to pay their price.

In the case of the finding of quantitative or qualitative deficiencies, the principal must draw up the documents stipulated by the foreign contract—in order for them to be denurrable to the foreign partner—within the agreed periods and must transmit them to the agent so that it can lodge the complaint at the proper time. If the handling of the complaint requires technical assistance, the principal must provide it, including in the situation in which a dispute arises, submitted for resolution to the competent body of jurisdiction.

12. The nonexecution or unsuitable execution of the obligations assumed by the parties to the commission contract will entail, of course, the financial responsibility of the party at fault for the damage caused. The earlier regulations did not contain express provisions for financial responsibility within the framework of this contract, which was of a nature to generate difficulties and disputes in connection with the application of the sanctions contained in Decision No 306/1969 of the Council of Ministers—now repealed—which were characteristic of the supply contract. However, the new regulations—introduced by Law No 3/1979—contain special provisions for commission contracts. In keeping with the principles for regulation of responsibility within the framework of economic contracts, the law institutes a

number of penalties for the violation of contractual obligations, stipulating at the same time that if the damage so caused is not covered by the penalties the party at fault is bound by the obligation of compensation up to complete coverage of the damage (Art 80). Thus, the law punishes the nonexecution or unsuitable execution of the following obligations arising from the commission contract: the failure to conform to the periods for forwarding the technical and economic documentation established by means of the contract, including the documents needed for collecting the price of the commodity delivered; the failure by the producing unit to handle the complaints and the claims for damages or penalties formulated by foreign partners within the periods stipulated by the foreign contract; the failure by the foreign trade enterprise to conform to the period stipulated by the commission contract for the delivery of the bid requests, as well as the violation of the period for the transmission of foreign complaints; the failure to conform to the period for informing the producing unit about the impossibility of the execution of the foreign contract due to force majeure or through the fault of the foreign partner; the unjustified refusal of the foreign trade enterprise to pay at the proper time the sums collected from the sale of exported goods.

A delay in paying the commission—the law specifies—is punished in accordance with the regulations referring to payment of the price.

Of course, the parties have complete freedom, according to Article 47, last paragraph, of the Law on Economic Contracts, to agree on the application of bigger penalties than those provided by law and of penalties for violating other obligations specific to the commission contract for which the law has not established sanctions.

Making a distinction between the obligations that result from the commission contract and those from the foreign contract, it should be noted that, for the nonexecution of the obligations in the foreign contract, the foreign partner is responsible only to the agent, just as, for the nonexecution of any obligation by the principal, the latter is responsible only to the agent, not to the foreign partner. However, insofar as the agent may have to be responsible to the foreign partner because of the nonexecution of any obligation by the principal, the damage suffered by the agent is ultimately localized not in the latter but in the principal, on whose behalf it worked. And insofar as the agent may be responsible for the nonexecution of an obligation of its own to the foreign partner, specific to the capacities of agent, it may no longer have the possibility of recovering the damage from the principal.

The matter of putting into practice the new legal regulations on foreign trade economic contracts, whose concepts and substance we have tried to make clear, is of a nature to lead to the improvement of the activities of foreign trade and international economic cooperation involved in this important sector of our national economy.

FOOTNOTES

1. See: O. Capatina and M. Constantinescu, "General Characteristics of the New Legal Regime for Economic Contracts," *REVISTA ROMANA DE DREPT*, No 10, 1979, pp 3 et seqq.

2. For a synthesis of the legal literature on the subject, see: Renee Sanilevici, in "Contractele Economice Speciale si Rolul lor in Indeplinirea Sarcinilor de Plan" [Special Economic Contracts and Their Role in Fulfilling the Plan Targets], the Publishing House of the Academy, Bucharest, 1978, pp 310 et seqq.
3. By foreign trade enterprises we also mean the units authorized to directly achieve foreign trade operations.
4. See: P. A. Demetrescu, "Contractul de Transport" [The Transport Contract], Didactica si Pedagogica Publishing House, Bucharest, 1962, p 20; Fr. Deak, "Drept Civil. Teoria Contractelor Speciale" [Civil Law. The Theory of Special Contracts], Didactica si Pedagogica Publishing House, Bucharest, 1963, p 214; I. Rucareanu, "The Theoretical Substantiation of International Commercial Law," "Institutii de Drept Comercial International" [Institutions of International Commercial Law], the Publishing House of the Academy, Bucharest, 1973, pp 64 et seqq; I. Rucareanu and V. Babiuc, "Norms of Law of International Trade in the Law on Economic Contracts," REVISTA ROMANA DE DREPT, No 12, 1979, p 11.
5. Also see: I. Rucareanu and Brindusa Stefanescu, in "Curs de Drept" [Law Course], Academy of Economic Studies, Bucharest, 1979, pp 336 et seqq.
6. In the same regard, see: R. Sanilevici, op. cit., pp 320-321.
7. See: Central State Arbitration Office, No 192/1976 and No 2,648/1976, cited by H. Matei, in "The Resolution of Complaints on Quality Formulated by the Foreign Partner," in the supplement to REVISTA ECONOMICA, No 5, 1979, p 5.
8. See: Gr. Florescu, V. Babiuc and C. Aron, "Characteristic Features of the Foreign Trade Economic Contract on a Commission Basis," REVISTA ROMANA DE DREPT, No 10, 1972, pp 6 et seqq.
9. See: St. Carpenaru, "Legislatie Economica si Arbitraj" [Economic Legislation and Arbitration], Didactica si Pedagogica Publishing House, Bucharest, 1973, p 299.
10. See: O. Capatina, "Litigiul Arbitral de Comerț Exterior" [Arbitral Litigation in Foreign Trade], the Publishing House of the Academy, 1979, pp 105-107.
11. See: Fr. Deak, "Drept Civil. Contractele Speciale" [Civil Law. Special Contracts], Vol II, University of Bucharest, 1978, p 213.
12. For references to comparative socialist law, see: R. Sanilevici, op. cit., p 289.
13. Also see: V. Babiuc and M. Constantinescu, "The Legal Nature of the Economic Contract on a Commission Basis," STUDII SI CERCETARI JURIDICE, No 3, 1971, pp 252-254.
14. See: PAS [expansion unknown], Decision No 627/1974, REVISTA ROMANA DE DREPT, No 7, 1974, p 69.

15. See: PAS, Decision No 780/1973, REVISTA ROMANA DE DREPT, No 3, 1973, p 6.
16. See: Fr. Deak, op. cit., p 213.
17. See: Tr. Ionascu and E. A. Barasch, "Teoria Generala a Contractelor Economice"
The General Theory of Economic Contracts, Vol I, the Publishing House of the
Academy, Bucharest, 1963, pp 362 et seqq.

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AMENDED LAW ON FIXED ASSETS, MATERIAL RESOURCES, SUPPLY PUBLISHED

Bucharest BULETINUL OFICIAL in Romanian Part I No 110, 23 Dec 80 pp 3-24

[Grand National Assembly Law on Amending and Completion of Law No 14/1971 on Management of Fixed Assets, Material Resources and Material-Technical Supply]

[Text] On the basis of Article 57 of the Constitution of the Socialist Republic of Romania we sign and make available for publication in BULETINUL OFICIAL AL REPUBLICII SOCIALISTE ROMANIA Law No 11 of 18 December 1980 on Amending and Completion of Law No 14/1971 on Management of Fixed Assets, Material Resources and Material-Technical Supply. Nicolae Ceausescu, president of the Socialist Republic of Romania, Bucharest, 23 December 1980.

The Grand National Assembly of the Socialist Republic of Romania adopts this law:

Article I. Law No 14/1971 on Management of Fixed Assets, Material Resources and Material-Technical Supply, published in BULETINUL OFICIAL AL REPUBLICII SOCIALISTE ROMANIA, No 133 of 22 October 1971, is amended and completed with the following content:

Raising economic activity to a new level, a qualitatively higher one, requires development of our own base of raw materials, continued improvement in the management of material resources and fixed assets and material-technical supply in order to increase economic efficiency in accordance with the principles of the new economic-financial mechanism.

Providing the material-technical base for production and permanently improving supply and sales to correspond to the requirements for development of the national economy make it necessary for each economic unit to achieve and deliver physical production in accordance with the plan tasks and economic contracts concluded, to systematically reduce consumption and increase the degree of utilization of raw materials, materials, fuels and energy and draw all reusable material resources into economic circulation.

At the same time, providing the necessary resources for the good operation of material-technical supply requires utilization of fixed assets with maximum efficiency, assurance of their maintenance, repair and modernization and the scientific organization of production and work.

Judicious use and management of material resources and fixed assets, main components of the national wealth, are determining factors for the country's uninterrupted social and economic progress and increase in economic efficiency in all areas of activity and, on this basis, raising the population's standard of living.

CHAPTER I Basic Principles

Article 1. Sustained development of the entire national economy and achievement of general progress for society require broadening and judicious management of the base of raw materials, fuels and energy, rise in the degree to which the economy's domestic resources are provided, extending of research and assimilation of new materials, products and highly-efficient technologies into production, with reduced material and energy consumption.

Article 2. Providing the national economy with raw materials, fuels and energy make it necessary to know and utilize the entire potential of material resources from the ground and below the ground, to identify and introduce new useful substances and energy sources into economic circulation, to increase the degree of utilization of all categories of raw materials, materials, fuels and energy and to have complete utilization of old raw materials and other reusable material resources.

Designing and building new production capabilities, developing the existing ones and creating new products and technologies and introducing them into manufacture can be done on condition that there is complete provision of raw materials, materials and fuels necessary and that they are from sure sources.

Article 3. For superior utilization of the base of raw materials, fuels and energy, in all areas of economic activity there must be provided the creation and application of new technologies, improvement in existing technologies, research, design and building of new and modernized products with high technical and economic parameters, which lead to a substantial reduction in the specific consumption of raw materials, materials, fuels and energy and production costs and to achieving the planned indicators of utilization and to raising labor productivity and the economic efficiency of all activity.

Article 4. Measures will be taken in all branches and sectors of economic activity for standardization of materials and products in accordance with the law, reduction in the number of standard sizes for materials, parts, subassemblies, machinery, equipment, installations and other products with a view to the superior utilization of material resources, efficient use of production capabilities, rise in labor productivity and improvement in the supply-sales process.

The manufacture, supply and utilization of materials and products are to be done with respect for the standardization norms and the standardization approved.

Article 5. Material-technical supply, in conformity with the provisions of the single national plan for social-economic development, must provide the substantiated need for raw materials, materials, fuels, energy and products for the steady operation of production, investments, repairs, other jobs and services, with strict respect for the standards of consumption and stock norms approved.

The establishment, distribution and use of the resources needed for good operation of material-technical supply in all branches and sectors of activity of the national economy are done on the basis of firm application of the principles of worker self-leadership and economic-financial self-management, assuring the following:

a) Steady achievement of physical production in the quantities and variety structure established by the plan;

b) Delivery of production and achievement of material-technical supply with respect for the stocks set, on the basis of economic contracts concluded in accordance with the law, in the best relations of transport and with respect for the zoning of the supply;

c) Maximum utilization of the material resources placed at their disposal, with high output, fitting into the consumption set, complete recovery and utilization of reusable material resources;

d) Rational management of fuels and energy, strictly fitting into the consumption in the quantities and varieties approved by the plan, replacement of outdated technologies with high energy consumption, limiting the manufacture and utilization of energy-intensive products, rise in energy output, recovery of the reusable energy resources, reduction in the losses of thermal and electric energy;

e) Use of production capabilities and all fixed assets with maximum efficiency, providing their appropriate maintenance and repair, carrying out capital repairs on schedule, timely preparation of all parts and subassemblies for reducing the time it takes for repairs to the minimum and raising the quality of the jobs, modernization of certain equipment and installations together with carrying out capital repairs.

Article 6. With a view to assuring the balance between material resources and the economy's need for consumption, it is compulsory to work out balances for the main raw materials, materials, fuels, energy, machinery, equipment, spare parts and other products intended for fulfilling production and investment tasks, for the market fund, for export, for providing services and other activities established by the plan.

The production, delivery, supply and consumption of products for which material balances are drawn up are carried out only with respect for the quantities, varieties and purposes established in accordance with the balances approved.

The coordinators of balances are obligated to issue distributions by beneficiaries and suppliers on time so that on this basis the economic contracts are concluded in accordance with the law and ahead of beginning the period for executing the plan.

Article 7. In working out the material balances, a determination is made of the need for raw materials, materials, fuels and energy only with the condition that they fit into the planned indicators of utilization on the basis of the consumption and utilization norms and standards as well as the coefficients of utilization approved in accordance with the law.

Setting material consumption is done by taking into account the extension of standardization of materials, products, machinery, equipment and subassemblies and applied technologies at the level of the best achievements obtained in the country and in the world, under conditions which assure systematic reduction in material consumption and superior utilization of resources.

It is obligatory for all units to fit into the consumption limits established by the norms and standards.

Article 8. Setting the size of stocks for all raw materials, materials and products is done on the basis of norms and standards established according to the production rate, consumption and deliveries as well as on the basis of the specific nature of the units' activity, the nature of the materials and products being consumed.

The economic units are required to fit into the stock norms approved and to apply efficient measures to prevent the formation of overstocking or of stocks which do not move by strictly correlating supply with the needs of planned production.

Article 9. The Council of Ministers is responsible for the entire activity of providing the base of raw materials and energy base, for rational management of fuels and energy, for recovery and utilization of reusable material resources, for judicious utilization and management of fixed assets and it takes measures to work out and fulfill the plan for material-technical supply in accordance with the goals for the country's social-economic development.

Article 10. The Ministry of Material-Technical Supply and Control of the Management of Fixed Assets as the central coordinating organ for the economy is responsible for providing the material-technical supply, judicious setting of consumption and stocks of raw materials, materials, fuels and energy, judicious utilization of material resources and fixed assets, recovery and utilization of reusable material resources and the utilization and circulation of packaging and it takes efficient measures to continually improve these activities.

The ministries, other central and local organs are responsible in the units under them to provide the material-technical base correlated with the plan tasks and the consumption set, for achieving and delivering the resources needed by the national economy from their type of activity and for the development of new technologies and capabilities for the complete utilization of reusable material resources, for extending the standardization of products, for steady operation of cooperation in production and for strengthening discipline and order in the activity of production, supply and sales.

Article 11. The enterprises and centrals are responsible for assuring the steady flow of the material-technical supply of production, for the manufacturing and delivery of products in conformity with the plan provisions and contracts concluded, for judicious management and utilization of all material resources, for respect for the consumption and stock norms and standards approved, for the recovery and complete utilization of reusable material resources and for the operation, maintenance and repair of the fixed assets supplied in accordance with the law.

Article 12. The workers councils and all worker personnel in the socialist units are required to assure fulfillment of the production tasks with the smallest possible consumption of raw materials, materials, fuels and energy, judicious management of fixed assets and other material resources entrusted for their administration, fulfillment of the obligations assumed by the unit through contracts and shortening the cycles of supply and sales.

CHAPTER II Development of Our Own Base of Raw and Energy Materials. Providing the Economy With Raw Materials

Article 13. In order to develop the base of raw and energy materials activity of geological research is to be intensified; it should lead to a knowledge of the

country's potential for mineral resources and to raising the degree to which the needs of the national economy are covered with geological reserves of raw materials.

The total geological reserves, determined quantitatively and qualitatively, and of metal-bearing and nonmetal-bearing ores, coal, hydrocarbons, rocks, geothermal and mineralized waters are the national fund of the country's geological reserves which are established, utilized and managed in accordance with the law.

In order to broaden the base of raw materials the contents of useful substances are to be identified from dumps and sludge beds, from cinders, ashes, mine waters and residual industrial waters with a view to superior and complex utilization of them.

The utilization of rocks as well as resources provided in Paragraph 3 as building materials or for other similar purposes is prohibited before the useful mineral substances are extracted.

Article 14. The ministries, other central and local organs as well as economic units which carry out geological research activity are required to do the following:

- a) Develop research and geological exploration for hydrocarbons, coal, combustible shale, nuclear fuels, geothermal waters and geothermal energy for the purpose of better supplying the energy base;
- b) Assure the research of new mineralized zones with a content of metal-bearing and nonmetal-bearing substances, useful rocks and other similar resources, including those which are to be utilized locally;
- c) Organize complex groups which would do multilateral research on the situation in various zones in order to bring out all the reserves in that particular territory;
- d) Intensify the research of the very deep reserves and those in zones which are less accessible;
- e) Apply new methods and techniques of research which permit bringing out all the useful substances contained in the deposits more rapidly, including the mineralizations with salt content.

Article 15. Units of the extraction industry are required to develop the extraction of resources of fuels, metal-bearing and nonmetal-bearing ores, rocks and other substances by the exploitation and maximum recovery of geological reserves and the useful substances contained in them to obtain the necessary raw materials in the country.

The programs of mining exploitation and hydrocarbon exploitation must assure continuity for future production by judicious correlation of extraction with the volume of geological reserves.

Article 16. In the extraction industry it is required to work out and generalize technologies which assure an increase in the final recovery factor for crude oil from the deposits, to substantially raise the degree of extraction of geological reserves from useful mineral substances, to avoid losses and dilution of useful components, to assure protection of the deposits as well as conserve the geological reserves which temporarily are not being extracted, depending on the geological conditions or technologies for exploitation and utilization.

Article 17. Units for scientific research, technological engineering and design are required to assure utilization of new useful mineral substances contained in the deposits as well as assure establishment of new areas of utilization of the material resources extracted and processed for the purpose of continuous development of the base of raw materials.

Article 18. In order to prepare useful mineral substances, the units will assimilate and apply techniques for recovery of all useful components as well as for increasing the degree of refining and processing of raw materials in the country so that they assure that high quality parameters are obtained and imports are reduced.

Article 19. In assuring the necessary energy for the national economy, the Ministry of Electric Energy, other ministries and central and local organs, as well as the economic units which produce energy are responsible for maximum utilization of hydro-energy potential, inferior coal, bituminous shale and reusable energy resources resulting from technological processes. Also, they are required to assure the growth in new sources of energy, to intensify research and the application for utilization of geothermal, solar, wind and wave energy as well as for energy usage of hydrogen, synthetic fuels, household waste, underground gasification of coal and for utilization of biogas and the discovery and utilization of other new energy sources.

Article 20. The executive committees of the county and Bucharest municipal people's councils are required to assure identification and utilization of all the local resources of raw materials and materials, to achieve a broad range of materials and products in this way, particularly in the area of construction and consumer goods, thus providing appropriate supply and broader production activities.

Article 21. The Ministry of Agriculture and Food Industry, the executive committees and bureaus of the people's councils and the state and cooperative agricultural units are required to assure emphasis on the process of intensive development of agriculture and zootechnics, intensive utilization of the land fund, obtaining greater and greater production to broaden the base of raw materials needed to satisfy the requirements of the food industry and other branches of industry and to assure appropriate supply for the population and obtain reserves for export.

In the area of silviculture, the Ministry of Forestry Economy and Building Materials and the executive committees and bureaus of the people's councils will provide the management and judicious exploitation of the silvic areas in conformity with the provisions of the national program for conservation and development of the forest stock so that they assure the economy's need for wood and other products.

Article 22. Investment projects intended for development of our own base of raw materials will be included on a priority basis in the plans for social-economic development as well as those which assure the base of raw materials, fuels and energy from the country to the greatest extent.

The ministries, other central and local organs which produce raw materials are required to work out programs of measures for total achievement of the production levels planned for all categories of raw materials and for maximum utilization of all resources.

CHAPTER III Judicious Management of Fuels and Energy

Article 23. The consumption of fuels and energy of all types is done under conditions of providing maximum energy output, eliminating any forms of waste or irrational consumption in accordance with the provisions of the single national plan for social-economic development, primary energy balance, physical balances and energy programs.

The ministries, other central and local organs, centrals, enterprises and all socialist units using petroleum products are required to establish programs of specific measures to reduce consumption and to strictly fit into the norms established.

Article 24. In working out the single national plan for social-economic development, consideration will be taken of limiting the production and consumption of energy-intensive materials to what is strictly necessary, to development of the branches and subbranches with reduced energy consumption and to signing up investment and modernization projects on a priority basis which would assure reducing energy consumption and recovering reusable energy resources.

Article 25. The ministries, other central and local organs, centrals, enterprises, research units and units for research, technological engineering and design units are required to provide the following, in accordance with their duties:

- a) Set standards for all categories of energy consumption, permanently follow up on the way it is carried out and take necessary measures to fit into the levels approved;
- b) Strictly implement the programs established to improve energy output of the installations, replace the technologies which are big consumers of fuels and energy, modernize the burners, boilers, heat economizers and other energy equipment, carry out all measures provided to save energy and fuels and eliminate any kind of waste;
- c) Recover the reusable energy resources by assembling preheater recovery boilers and other recovery installations and procedures; it is prohibited to design, build and place into operation the thermoenergy installations not supplied with heat recovery equipment;
- d) Conduct the processes and installations so that maximum energy output is achieved in conformity with the provisions of the technical and design documents and supply the installations in operation with measurement, control, regulating and automation apparatuses;
- e) Operate the installations, aggregates and equipment at capacity, avoid accidental halts and permanently reduce the length of time for working the charges;
- f) Set the working hours so that there is a reduction in electrical energy and fuel consumption; use predominantly natural lighting and limit lighting and heating on the second and third shifts only to the job locations which are strictly needed to do the activity;
- g) In accordance with the law, work out the energy balances. These will be brought up to date annually for the units as a whole and by main processes, equipment and consuming installations and by locations;

h) Make a quarterly analysis of the stage of achievement of the measures resulting from energy balances and programs for saving energy of all types and of fitting into the energy consumption set and in the distributions of fuels, electric energy and thermal energy, establishing the measures needed for judicious management of energy.

Article 26. In the production of electric and thermal energy, the Ministry of Electric Energy, the other ministries and central organs and the executive committees of the county and Bucharest municipal people's councils are required to provide the following:

- a) Reduction in the consumption of hydrocarbons with a view to superior utilization of them through chemification and the move of the electric power centrals utilizing hydrocarbons to the consumption of solid fuels, particularly lignite, in conformity with the programs established;
- b) Extending of urban thermification by connecting new consumers to the existing installations and the development of new thermification networks, in conformity with the plan provisions;
- c) In accordance with the plan provisions, adaptation of the thermoelectric power centrals to coal which operates in condensation so that thermal energy also is produced;
- d) The construction of new thermoelectric power centrals only as central thermification centrals;
- e) Gradual concentration of the thermoelectric power centrals, small ones, into big centrals; organization of the maintenance and repair of the thermoelectric power centrals and distribution networks during the summer, with a view to assuring operation at maximum output and reduction in losses and elimination of waste;
- f) The design and construction of microhydroelectric power centrals which would utilize hydroenergy potential locally to the maximum.

Article 27. The Ministry of Machine Building Industry and the other ministries which are responsible for the manufacture of energy aggregates are required to provide the research, design and manufacture of boilers and other thermoenergy installations with high parameters and with high outputs of at least 80 percent for the boilers and which use inferior fuels as well as for recovery boilers, water preheaters, heat pumps, thermal tubes and mother modern recovery means which cover the national economy's needs. Also the necessary quantities of apparatuses for measuring, control, regulating and automatization will be assimilated into manufacture and will be produced as well as apparatuses measuring thermal energy consumption in the economic units and apartment buildings.

Article 28. Utilization of fuels, electric and thermal energy by the beneficiary units is to be done only within the framework of the quantities distributed which are the maximum limits of consumption.

The consumption of electric or thermal energy or natural gases from the suppliers networks which is above the quantities distributed, without contract or in violation of the conditions established by the contract, is penalized in accordance with the law.

Article 29. The beneficiary units are prohibited from using quantities of electric and thermal energy, fuels and liquid power which have become available as a result of having achieved savings, modernization in the production process, change in the structure of production and change in or nonfulfillment of the plan tasks or any other reasons.

The beneficiary units are required to make available the quantities of electric and thermal energy, fuels and liquid power provided in paragraph 1. Notification of availabilities, accompanied by the plan holders, are to be sent monthly, 10 days at most from the beginning of the month, to the supplier units, which will make changes in the economic contracts and communicate them to the coordinator of the balance and to the Ministry of Material-Technical Supply and Control of Management of Fixed Assets with a view to correcting the distribution.

Article 30. The ministries, centrals, enterprises and other economic units are responsible for achieving strict energy discipline by designing, building and operating electrical energy equipment and installations and by organizing and operating the national electrical energy system in accordance with the norms and standards for their safety in operation.

Article 31. The specialized control organs in the energy area are required to provide strict control over the way energy resources are managed by the beneficiaries and to take necessary measures for the economical utilization of these resources.

The units which supply natural gases and electric and thermal energy are required to provide the application of the measures provided by law in case the beneficiaries violate the rules for distribution and the measures for rationalization of the energy delivered.

Article 32. Reduced specific consumption and high output at the level of the best achievements obtained in Romania and abroad and substantiated by designed energy balances are to be provided upon the design and assimilation of new technological processes and the manufacture of new products and equipment which consume or transform energy resources of any kind.

Solutions are to be established for the design and construction of new industrial, social-cultural projects and housing as well as for making capital repairs, solutions which provide natural lighting, a high degree of heat insulation and utilization of it with minimum energy consumption.

Article 33. The construction designs for new projects or for extending and modernizing existing ones are to be provided for measuring, control, regulating and automation apparatuses and computers, according to the case, which are needed to follow up on energy consumption and economical operation and under safety conditions for the equipment, aggregates and installations as well as provide for installations for the recovery and utilization of all reusable energy resources.

Article 34. The construction and start into operation of new projects or extending and modernizations are prohibited if the building solutions do not respect the notifications given with regard to the nature of fuels or primary energy used, if they have low output, if they are not supplied with recovery installations for reusable energy resources or if they have not made outlines for supply and technological measures provided in the designs approved.

Article 35. The National Council for Science and Technology, together with the ministries, other central and local organs, units for scientific research, technological engineering and design, the centrals, enterprises and other economic units are required to assure modernization of the technologies and structure of production, the establishing of new solutions to reduce consumption and save fuels and electric energy and the use of new sources of energy and high economic efficiency in the utilization of energy.

They also are required to take measures to permanently improve the standards and norms for installations which consume any kind of energy resources or transform it.

CHAPTER IV The Recovery and Utilization of Reusable Material Resources

Article 36. The enterprises, centrals, ministries and other central and local organs are required to provide complete recovery and utilization of all old raw materials, materials and other reusable resources which can be utilized as such or through processing.

It is an important civic obligation to hand over materials, used consumer or personal goods no longer being used in the population's households for acquisition or collection.

The destruction or damaging of reusable materials and products, except in cases provided by law, is prohibited.

Article 37. The socialist units are required to compile material balance annually, together with the plan work, which shows the quantities of raw materials and materials used in the production processes, the ones which will be in the finished products as well as quantities and structure of reusable material resources.

Article 38. The socialist units are required to provide the identification, collection, sorting, storage, management and handing over of reusable material resources and are responsible for carrying out the technologies, equipment and production capabilities needed for processing for the purpose of superior utilization of these resources as well as for continuous improvement in the processing processes and for elimination of any kind of loss.

The entire activity of collection, recovery, preparation, reconditioning, reutilization and utilization of reusable material resources must be carried out at minimum cost so that the units completely cover their expenses and obtain profits.

Article 39. The activity of handing over, taking over, sorting, managing and utilizing reusable material resources is organized with respect for the following basic rules:

- a) The units from whose activity the reusable material resources result are required to assure utilization of them within their own activity in the largest possible proportion;
- b) The quantities which cannot be reused in the unit where they are should be delivered directly to units to which they have been assigned for utilization;

c) The material resources coming from the population, institutions as well as those in small quantities which are not transportable by train which are handed over by the socialist units are taken over by the specialized units for recovery and utilization; in accordance with the law, formations may be organized in them which would provide for processing of the reusable materials.

To provide the necessary capabilities for the preparation and utilization of all categories of reusable material resources, particularly metal, plastics, textile, paper, wood, glass, tires and other rubber products, special programs are to be worked out on the basis of known technologies providing equipment from Romania and maximum use of existing constructed spaces.

Article 40. The activity for recovery and utilization of reusable material resources takes place under the conditions provided by law and its purpose is to fulfill the following goals:

a) Maximum utilization of exploited mining mass through recovery of useful metal-bearing and nonmetal-bearing substances, extraction of ores from sludge beds, dumps, mude, reduction in the losses of combustible substances from dumps and utilization of their caloric potential;

b) Increase in the indicators of removal and coefficient of utilization of the metal, recovery and complete utilization of metallic materials, particularly laminated waste, slate shavings and other similar things; the application of techniques which would utilize the silt, metallurgical dumps and other resources containing metal as well as the recovery and reuse of alloying elements;

c) Increase in the degree of utilization of recoverable material resources of rubber, plastics, threads and chemical fibers, residual sulphuric acid, lye solutions, mude, tar, and the recovery of useful content of certain gases and residual waters, used mineral oils, binders and other substances;

d) Recapping of any category of tire, state, public or personal property; running the new car and tractor tires is permissible until they reach the limit of usage established in accordance with the law which permits their recapping; socialist units and physical persons holding recappable tires are required to hand them over for recapping, and they are to receive new or recapped tires in exchange; the socialist units which do not hand over tires for recapping will not receive new or recapped tires allocated through the plan to the extent to which they have not fulfilled this duty; in case the tire belonging to a socialist unit was run beyond the limit of usage which permits recapping, the countervalue of it will be charged to the guilty person;

e) Increase in the share of recoverable materials from wood in the production of chipboard and fiberboard, cellulose and semi-cellulose, and increase in the utilization of paper and cardboard resulting from collection in obtaining varieties of paper and cardboard, including those of superior quality;

f) Under conditions of the law, reuse of bottles, jars, glass receptacles used in packaging goods and assurance of their integrity and productive utilization of chips of glass in the window and glass industry;

- g) Selection of materials according to types of fibers and fiber composition, maximum utilization of reusable textile materials, superior utilization of quantities of leather, hide and fur resulting from collection;
- h) Extraction of all useful substances from reusable animal and vegetable resources.

Article 41. The recovery, utilization and delivery of reusable material resources by the unit, according to the case, are done in conformity with the plan provisions with respect for the assignments issued and economic contracts concluded.

For all categories of raw materials and materials reused, norms and standards for recovery, reuse and reconditioning are set, according to the case, which are specific for the various areas of utilization.

Delivery of the raw materials and materials by the suppliers and their receipt by the beneficiaries are only done if the consumers assure the recovery and reuse of the old raw materials, materials and other reusable material resources, in conformity with the plan provisions or with the norms and standards for recovery and reconditioning.

Article 42. The socialist units are required to apply solutions which assure reuse as such or reuse with simple processing of the materials recovered, thus avoiding expenses for their processing through primary technological operations.

For the reusable resources which cannot be utilized as such, technologies will be applied and developed which assure maximum extraction of the useful substances contained, the obtaining of materials and products with high value of usage and saving of new raw materials and superior utilization of reusable resources.

In working out the plans for material-technical supply, the material balances are to provide separately for the quantities of material resources which are reusable as well as for their distribution by beneficiary for utilization and consumption. The delivery and consumption of reusable material resources are done only on the basis of assignments issued by the coordinator of the balance, in conformity with the provisions of the material balances approved.

Article 43. Standards for the activity of recovery and utilization of reusable material resources as well as the duties of the socialist units in this area are established by decree of the Council of State.

CHAPTER V Providing the Necessary Machinery, Equipment, Installations and Spare Parts

Article 44. The supplying with machinery, equipment and installations for putting into operation the new or developing production capabilities and equipping industry, agriculture, construction-assembly and transport units with machinery and equipment are done in conformity with the provisions of the single national plan for social-economic development on the basis of approved technical-economic documents or supply standards.

Article 45. The ministries, other central and local organs, centrals, beneficiary enterprises as well as coordinators of balances will determine the necessary machinery, equipment, installations and spare parts under conditions of utilizing the

existing stock at the level of the technical-economic indicators approved or the planned indicators of utilization, with respect for the supply standards set.

The request for and distribution of machinery, equipment and installations are prohibited if the existing ones are not being used at their full capacity.

Article 46. The State Planning Committee, the Ministry of Material-Technical Supply and Control of the Management of Fixed Assets, ministries, other central and local organs, centrals and enterprises are required to assure machinery, equipment, installations and spare parts for the economy from internal production through the intensive use of production capacities, their development, organization of cooperation between the production units and extending of utility vehicle actions.

The imports of machinery, equipment, installations, subassemblies and spare parts are contracted predominantly within actions of cooperation in production and commercial cooperation, doubling up with products from the machine building branch.

Article 47. The Ministry of Machine Building Industry, the National Council for Science and Technology, other ministries, central or local organs, production units, scientific research, technological engineering and design units are required to provide standardization of machinery, equipment and installations, to have strict respect for the standardized range of products and to build them at high technical and economic parameters.

Research, design and standardization activity is to assure a rise in the degree of utilization of raw materials, materials, fuels and energy, improvement in the quality of products manufactured, continuous reduction in technological losses and growth in labor productivity.

Article 48. In the planning activity and the manufacture of machinery, equipment and installations priority is to be given to the production of technological equipment intended for investment projects with schedules for being placed into operation during the plan year and first half of the next year, in accordance with the approved delivery schedule, assuring correlation between the start into manufacture and delivery with schedules from the assembly timetables.

Article 49. Complex deliveries of equipment, installations and technological lines are provided by the general supplier on the basis of an economic contract concluded between it and the beneficiary as well as on the basis of cooperation contracts concluded with units specialized in the manufacture of component parts, parts, assemblies or subassemblies.

General supplier together with the enterprises building the complex equipment are responsible for the delivery of the equipment within the schedules established by the timetables for coordination of the investment and for assuring technical assistance and supervision of the complete assembly of the equipment.

The industrial centrals and supplier production units are required to do all the technical testing in the plant as prescribed in the documents for equipment and installations they are delivering, using specific control apparatuses and active technical control methods.

When it is not possible to make complete tests in the production units for the products for technological, construction or economic reasons, they will be made by the beneficiary, with specialized technical assistance of the supplying plants and with their responsibility.

Article 50. The tasks for providing the needed spare parts, for the recovery and reconditioning of used parts, assimilation of parts being imported and parts needed for the repairs are established by the single national plan for social-economic development on the basis of the consumption, recovery and reconditioning lists and consumption standards, with technical verification, depending on the stock of machinery, equipment, installations and long-usage goods being operate and on the export requirements. The listings and standards are worked out and brought up to date by the Ministry of Material-Technical Supply and Control of the Management of Fixed Assets at the proposal of the coordinators of balances made together with the production and beneficiary units for spare parts as well as with the designers of the equipment and other products produced.

For the new equipment, machinery, installations and long-usage goods assimilated into production, the units for scientific research and technological engineering and design, together with the production units, will work out experimental listings and consumption standards for spare parts.

Article 51. The State Planning Committee, the Ministry of Material-Technical Supply and Control of the Management of Fixed Assets and the production ministries are responsible for providing the production capabilities and material base through the plan for having complete coverage of the need for spare parts intended for domestic consumption and export.

It is compulsory to provide the capabilities which completely satisfy the need for spare parts attached to the machinery, equipment and installations to be built when new investment projects are built and existing units are developed in the machine building branch.

Article 52. The enterprises and centrals which produce machinery, equipment, installations and long-usage goods as well as those which cooperate in building certain parts or subassemblies are required to provide the necessary spare parts for their maintenance and repair, on a priority basis, in the quantities and in conformity with the specification provided in the allocations issued by the coordinators of balances.

The production units, in accordance with the law, are required to assure servicing activity for the machinery, equipment and long-usage goods from the operating of which this need arises.

Article 53. In case certain machinery, apparatuses, equipment and installations cease to be manufactured, the production enterprises and centrals for spare parts are required to continue producing and providing the need for the period they are operating. Establishing the period for continuing the manufacture of spare parts is done by the coordinator of balances for spare parts, together with the beneficiaries and suppliers, with the agreement of the Ministry of Material-Technical Supply and Control of the Management of Fixed Assets taking into account the standards provided in Article 50.

In justified situations, from a technical-economic viewpoint, in which the manufacture of spare parts ceases, the production units will produce the entire need for spare parts, established by the organs provided in the preceding paragraph, in advance.

Article 54. When the production of machinery, equipment, installations and long-usage goods are transferred, the new producer is required to provide the necessary spare parts without interruption. If the spare parts production at the new producer requires a period of assimilation, the initial producer is required to continue executing the spare parts until they have been assimilated by the schedule established by the protocol.

Transferring of the production of spare parts to another producer is done only with the agreement of the Ministry of Material-Technical Supply and Control of the Management of Fixed Assets and the State Planning Committee.

Article 55. In the case of necessary spare parts in reduced yearly quantities, the production units may manufacture lots which provide the need for a longer period.

The manufacture of spare parts in accordance with the preceding paragraph, as well as halt in the production of spare parts under the conditions of Article 53 are carried out with the agreement of the Ministry of Material-Technical Supply and the Control of the Management of Fixed Assets and the Ministry of Finance.

Article 56. Until the equipment is withdrawn from operation, current credits in accordance with the law are given for stocks of spare parts built under the conditions of Article 53, paragraph 2 and Article 55.

Article 57. In contracting for the imports of machinery, equipment, installations and long-usage goods the beneficiary units are to provide the necessary spare parts for the first supply as well as the technical execution documents for assimilating all the necessary spare parts in the country.

Article 58. The beneficiary units for the imports of machinery, equipment and installations are responsible for maximum integration of the attached spare parts in their own manufacture or through cooperation with specialized units. For this purpose, the plan holders, together with the coordinators of balances and the Ministry of Machine Building Industry, will work out assimilation programs, whose tasks are to be included separately in the single national plan for social-economic development, also providing the appropriate production capabilities.

For machinery, equipment and installations built in the country with imported components, the task of providing the total spare parts belongs to the supplying units, including for imported components until they are assimilated in production.

Article 59. The ministries, other central and local organs, together with the coordinators of balances, are responsible for establishing security stocks of aggregates, subassemblies and certain spare parts intended to efficiently make accidental repairs for the installations, machinery and equipment of particular importance for the national economy as well as to make repairs with the exchange of aggregates.

CHAPTER VI The Recovery, Reconditioning and Reuse of Parts and Subassemblies

Article 60. The enterprises, centrals, ministries and other central and local organs are required to assure the recovery and reuse, as such or through reconditioning, of parts and subassemblies resulting in making repairs or dismantling the machinery, equipment and installations withdrawn from operation.

The destruction, damaging of machinery, equipment and installations withdrawn from operation or turning them over as old raw materials are prohibited before they have been dismantled as well as parts and subassemblies which can be reused as such or through reconditioning.

Article 61. Tasks for the recovery, reuse and reconditioning of parts and subassemblies, as well as necessary resources for these activities, are established by the single national plan for social-economic development.

The allocations for spare parts and subassemblies are to include the quantities of new parts as well as those obtained through recovery and reconditioning, both from the units' own repair and dismantling activity as well as from other units.

The delivery of new spareparts and subassemblies is made only according to the beneficiary's fulfillment of the duty to recover, reuse and recondition them, resulting from the plan and the allocations issued.

Article 62. The Ministry of Material-Technical Supply and Control of the Management of Fixed Assets, at the proposal of the coordinators of balances of spare parts, is to establish standards and norms for the recovery, reuse and reconditioning of parts and subassemblies which are compulsory for all units, regardless of their subordination.

Article 63. The socialist units are required to identify, sort and store all reusable parts and subassemblies and are responsible for their reuse as such as well as for building the technologies, equipment and production capabilities needed to recondition them.

The socialist units whose activity results in reusable parts and subassemblies are required to utilize these parts and subassemblies within their own activity in the largest possible proportion.

The parts and subassemblies which cannot be reused by the unit producing them are to be delivered to the beneficiary units to which they have been allocated.

Article 64. The parts and subassemblies resulting in making repairs or upon dismantling of the machinery, equipment and installations which cannot be used as such are reconditioned by the unit making the repair or doing the dismantling in the production shops or the work formations, workshops or specially organized sections, according to the case.

The reconditioning will be done by the production units for the parts and subassemblies which surpass the technical level of supply of the units provided in paragraph 1 by degree of complexity and technicalness and, depending on the volume of reconditioning and production capability they have available, they will be able to organize specialized reconditioning sections and shops by territorial zones or the economy as a whole.

The categories of parts and subassemblies to be reconditioned in accordance with the preceding paragraph are established by the ministries which have the production units under them, with consultation with the main beneficiaries.

Article 65. Reconditioning is done by the units of the handicrafts cooperative and consumers cooperative as well as other units of small industry for the parts and subassemblies resulting from the repair or dismantling of long-usage goods coming from the population or from cooperative organizations and other public organizations.

Article 66. The organization and carrying out of activities for the recovery, re-use and reconditioning of parts and subassemblies must be done at minimum costs and reduced consumptions of materials and labor so that they contribute to increasing efficiency in the maintenance and repair of machinery, equipment and installations.

The economic units, centrals and ministries are required to organize the system for keeping records of all parts and subassemblies and aggregates recovered from repairs and dismantling, of the quantities reconditioned as well as of the way they are used, in conformity with the regulations on material management of goods.

CHAPTER VII The Judicious Utilization and Management of Fixed Assets

Article 67. The utilization and management of fixed assets under conditions of maximum efficiency are a basic duty of the enterprises, centrals, ministries and other central or local organs, toward which end they are required to provide the following:

- a) Loading and complete utilization of the production capabilities of machinery, equipment and installations and operation of the production capabilities at the parameters planned, in accordance with the needs of the national economy;
- b) Sustained growth in labor productivity by the scientific organization of production and work, application of modern methods for the preparation, programming, start and follow-up on production, carrying out programs for mechanization and automation, reduction of auxiliary and nonproduction personnel to the strictly necessary;
- c) Rational use of and efficiency of the spaces built;
- d) Steady supply of the production processes with raw materials, materials, fuels, energy, parts and subassemblies in conformity with the consumption standards set;
- e) Utilities--steam, compressed air, industrial water, inert gases--at the parameters prescribed and in the quantities needed for carrying out the technological processes appropriately;
- f) Appropriate qualification and permanent rise in the personnel's level of knowledge for operation, maintenance and repair and strengthening of order and discipline;
- g) Strict respect for the technical prescriptions for operation, assuring technical assistance on all shifts;
- h) Maintenance, review and repair of fixed assets in conformity with the technical prescriptions, plans and programs worked out, with a view to maintaining the fixed assets in a state of operation and to avoiding accidental interruptions and damages;

1) Modernization of fixed assets and technologies under conditions of maximum efficiency, taking into account the progress achieved nationally and abroad by use of our own research and studies in particular, extending of operations for operating the aggregates and application of innovations and inventions.

Article 68. The economic units are responsible for the rational organization of all places of work as well as the judicious organization of work on the shifts. Programming of the shifts is to be done under conditions which lead to optimum loading of the production capabilities and to judicious use of the labor force on each shift, with respect for the following rules:

- a) Complete loading of the shifts by concentrating the resources and the labor force, eliminating their dispersal on incompletely used shifts;
- b) The units which have provided orders for the sale of production as well as all necessary resources for production, including the labor force, will organize work in three complete shifts;
- c) In the units where there are machinery and equipment which are bottlenecks, these will be concentrated in special sections which will work on three shifts, depending on the specific nature of the production process;
- d) In the units with continuous firing the normal production process will be provided with technical assistance through judicious distribution of the technical personnel with appropriate training, appointed for each shift by decision of the unit leader.

Article 69. The leaders of units, heads of sections, heads of shops, foremen and other leaders of the production processes are required to provide the following:

- a) Supplying each job place with specific technical instructions on operation of the machinery, equipment and installations under normal conditions and the measures which must be taken in case of damages, interruptions and disruptions in the technological processes or the installations;
- b) Have periodic instructions for the worker personnel under them with reference to the operation and maintenance of the fixed assets;
- c) Through order of the unit leader, establish the personnel authorized to decide on placing equipment and installations into operation again after they have been stopped or repaired, depending on the importance and complexity of them;
- d) Records on damages and accidental stoppages of the machinery, equipment and installations and periodic analysis of them in the collective leadership organs of the units as well as with personnel from the shifts, with a view to establishing the measures to avoid their being repeated;
- e) Immediately reporting the appearance of damages and accidental stoppages of the installations and basic equipment to the territorial inspectorates for control of the management of fixed assets.

Article 70. In order to eliminate bottlenecks which limit the usage of certain production capabilities, the ministries, other central and local organs, centrals and enterprises mainly have the following duties:

a) To provide for the operation and maintenance of equipment for bottlenecks with personnel who have the necessary qualifications for their operation at the maximum parameters and for preventing accidental stoppages as well as concentrating them in special sections which work on three shifts;

b) To provide for the modernization of the particular equipment through their own equipment or in collaboration with units for scientific research, technological engineering and design as well as with production units for the equipment;

c) To replace the equipment, respecting the legal standards, or make supplementary supplies in the case that the bottleneck is not eliminated through modernization, its concentration in accordance with Article 68c) or assurance with qualified personnel.

Article 71. The ministries, other central and local organs, centrals, enterprises, design units, foreign trade and other units, in accordance with the law, are responsible for taking all necessary measures for operating the steam boilers and similar, hoisting installations and fuel-consuming apparatuses and all fixed assets supplied under safe conditions, in conformity with the legal provisions and technical prescriptions in effect.

Article 72. The units for scientific research, technological engineering and design are required to provide in the technical documents they draw up the technical instructions for the operation, maintenance, periodic review and repair of fixed assets, the list of parts for wear and safety, measuring apparatuses, apparatuses for control and automation which permit carrying out the production processes under safe conditions, efficient interventions to prevent accidental disruptions as well as resources for limiting the effects of any damages.

Placing the technological installations and lines into operation is to be done only if the technical prescriptions for operation are assured and are supplied with the apparatuses for measuring, control and automation provided in the designs.

Article 73. The ministries, other central and local organs, centrals and enterprises are required to provide for the strict application and respect of the designed and homologated technologies in the production processes, improvement in technologies for permanently improving the technical and economic parameters of the equipment and installations and increase in the degree of utilization of raw materials and materials.

Improvement in technologies is approved in accordance with the law, on the basis of experimentation, verification and previous homologation and only if this proves that the safety of the particular equipment and installations in operation has been fulfilled.

Deviation from the technologies established or application of non-homologated technologies is prohibited.

Article 74. The ministries, other central and local organs, centrals and enterprises are responsible for maintaining the entire stock of machinery, equipment, installations and other fixed assets supplied in a state of operation through jobs of current maintenance, technical reviews, current repairs and capital repairs.

Article 75. Jobs of maintenance, reviews and current repairs are done on the basis of programs and timetables established by the leadership organ of the unit holding the fixed asset and must provide for the operation of the machinery, equipment and installations under safe conditions and at the level of the designed parameters up to the period when capital repairs are made.

Article 76. Capital repairs are made in accordance with the law. The main technological installations, buildings and constructions as well as some of the more important groups of standardized machinery and equipment for which jobs of capital repair are to be carried out are listed by plan holders in the plans of social-economic development, specifying the need for spare parts, cost of the jobs, executors and schedules for completing them.

The plan also is to establish the main jobs for modernization which are to be carried out during the capital repairs, for the purpose of increasing the production capacity, improving the products' quality, raising output, reducing specific material and energy consumption, raising the degree of automation and increasing labor productivity.

Article 77. The ministries, other central and local organs, centrals and enterprises are responsible for doing the maintenance and repair jobs, for which purpose:

- a) They provide the appropriate use, development and supply for the sections of maintenance, repair, manufacturing and reconditioning of spare parts, correlated with the volume and technical nature of the machinery, equipment and installations in their supply;
- b) They organize specialized units for the centralized repair of standardized machinery and equipment by series, by the economy, territorial zones, by ministries or by centrals;
- c) They take measures to reduce to the minimum the length of time that machinery, equipment and installations are tied up for repairs by providing spare parts, sub-assemblies, materials, tools, devices and testers, qualified labor force as well as by extending the repair method on a broad scale by replacing the subassemblies and component aggregates;
- d) They organize the recovery and reconditioning of used parts and subassemblies as well as reusable materials which result in the repair of fixed assets;
- e) They provide systematic follow-up on fulfillment of the plans, programs and timetables for maintenance, reviews and repairs and periodically, within the collective leadership organs, they analyze the way the measures for strict respect for them are carried out and established.

Article 78. The planning and implementation of review and repair jobs of the fixed assets are done on the basis of the following:

- a) Technical standards for lengths of operating time between reviews and repairs;
- b) Time standards by operations and categories of jobs.

The standards provided in a) establish the cycles of operation between various categories of reviews and repairs, maximum standing time in reviews or repairs as well as the limit of costs for the repairs in percentage of value of the inventory or of replacing the fixed assets, according to the case. These standards are worked out and approved as follows:

Branch and national standards are established by the coordinating ministry of the branch, with advisement of the Ministry of Material-Technical Supply and Control of the Management of Fixed Assets and they are compulsory for all units, regardless of subordination;

Enterprise standards are worked out for the fixed assets not included in the national or branch standards by the economic units and they are approved by the central under which the unit working the standards out operates.

The standards provided in b) are worked out by the institutes for scientific research and technological engineering and are approved by the ministries and other central organs under which they are. They determine the volume of manual labor by operations and categories of jobs needed to carry out the reviews and repairs and they are compulsory for all the units which do these jobs, regardless of subordination.

Article 79. The State Planning Committee, together with the Ministry of Material-Technical Supply and Control of the Management of Fixed Assets, the Ministry of Finance and Central Statistical Directorate organize the records of the fixed assets and of utilization of the production capacities for the economy as a whole and they work out general standards for determining the production capacities.

Article 80. Fixed assets may be withdrawn from operation under the conditions and with the approvals provided by law after the fulfillment of the lengths of service time have been set.

Dismantling and demolition of the fixed assets are to be done only with the recovery and utilization of all parts, subassemblies and other reusable materials. For depreciated fixed assets which are justified economically to be maintained in operation, efficient solutions are to be examined and applied for their modernization, under conditions of the law.

CHAPTER VIII Setting the Consumption of Raw Materials, Materials, Fuels and Energy

Article 81. Raw materials, materials, fuels and energy as well as other material resources are used throughout the national economy only on the basis of consumption norms and standards approved in accordance with the law.

The norms and standards of material and energy consumption for the products and technologies existing in the manufacture are reviewed annually and approved at the same time as the plan is adopted.

For investment projects, the new products and technologies and the material and energy consumption norms and standards are worked out and subject to approval together with the execution drafts.

The new products and technologies as well as modernization of existing ones cannot be designed and introduced except if they provide lower material and energy specific consumption than the ones being manufactured, generally seeking to achieve the best performances achieved in the country and abroad in the particular area.

The ministries, other central and local organs, centrals, enterprises, institutes for scientific research, technological engineering and design and higher educational institutions are responsible for systematically reducing consumption standards and permanently increasing the efficiency of utilization and utilization of material resources, for which purpose they are required to provide the following:

- a) Creation of new products and the redesign of existing ones, in light construction, new dimensions and with competitive operational parameters, by improving the operating principles, increasing the value of usage, improving the quality, durability and safety of operation, simplification of maintenance and repair operations so that they provide for systematic increase in the degree of utilization of the material resources;
- b) Utilization of standardized and efficient materials produced in the country and limiting the usage of those coming from imports to which is strictly necessary;
- c) Application of extending of new technologies which assure rise in the degree of utilization of the materials, outputs and performances of the machine tools and equipment in their supply and rise in labor productivity;
- d) Extending the utilization of new replacement materials which are advantageous both technically and economically;
- e) Increasing the degree of recovery and efficient reuse of recoverable materials and reusable energy resources resulting from technological processes.
- f) Providing for the operation of equipment and installations at the parameters designed and improving the quality of repairs and technical operation assistance;
- g) Increasing the output of thermal processes, together with reducing losses from transport and distribution of energy agents;
- h) Extending the economic technologies of cutting, complex cuttings, together with providing material supply in fixed and multiple sizes, in conformity with the needs of production.

Article 82. The enterprises, centrals, research, technological engineering and design units, ministries, other central and local organs are required to assure the setting of consumption for all categories of raw materials, materials, fuels and energy through:

- a) Consumption norms and standards which set the maximum limits for material and energy consumption by unit of product;
- b) Utilization standards by which the minimum limit is determined for value of the products which should be obtained by processing one unit of material;

are approved through the single national plan for social-economic development; indicators are worked out by the Ministry of Material-Technical Supply and the Control of the Management of Fixed Assets, in collaboration with the State Planning Committee on the basis of proposals received from the centrals, ministries and other central and local organs;

b) By the Ministry of Material-Technical Supply and Control of the Management of Fixed Assets for consumptions detailed in the consumption indicators approved by the single national plan for social-economic development, at the proposal of ministries and other central or local organs;

c) By ministries, other central and local organs for the main consumptions for the materials whose balances are approved by them, at the proposal of the centrals and other subordinate units;

d) By the centrals and enterprises for other material consumptions than the ones approved in accordance with the provisions of a)-c).

Plan indicators for setting material consumptions are worked out in full agreement with the production listings in the plan at the level of each organizational step.

Article 87. Consumption standards are at the basis of working out the plan for material-technical supply, contracts, delivery, introducing into consumption and utilization of raw materials, materials, fuels and energy in industry, agriculture, construction-assembly, transportation, services and other economic activities.

Article 88. The ministries, other central or local organs and economic units are required to assure the systematic improvement in the consumption-setting indicators on the basis of programs to reduce the consumptions set.

Programs are worked out in each enterprise at the level of the part, subassembly and product and will include the following: technical-organizational measures whose effects reduce material consumption in the period for which the program is being worked out; the amount of material reductions attached to each measure proposed; the terms for the main phases for achievement and schedule for application.

Article 89. On the basis of the programs worked out by the enterprises, their own analyses and results of research and design jobs, the centrals, ministries, other central and local organs are to work out programs to reduce the consumptions set by groups of products, technologies and categories of materials for the central as a whole or the ministry, respectively.

Article 90. Programs to reduce the consumptions set are to be worked out within the jobs to compile and finalize the five-year plans, spread over the years, and they will be brought up to date annually in accordance with the law, also taking into account the measures established in the actions to reduce material consumption.

Article 91. The ministries and other central and local organs, the centrals and enterprises are required to provide the material-technical base for measures proposed in the programs to reduce consumption and to introduce into the plan for scientific research and introduction of technical progress the draft tasks and to assimilate the results of these programs into production. They are also required to

cooperate for effectively solving the problems, particularly those regarding cooperation and to reflect in the plan indicators for setting consumption the effects of reducing the material consumption coming as a result of applying the programs' provisions.

Working out and following up on fulfillment of the programs to reduce consumption and the norms and standards of consumption are done through the technical departments in the enterprises, centrals and ministries.

CHAPTER IX The Planning and Fulfillment of Material-Technical Supply

Section 1 The Planning of Material-Technical Supply

Article 92. The plan for material-technical supply provides the necessary material base for fulfilling the tasks and goals of the single national plan for social-economic development under conditions of substantiating the consumption through norms and standards correlated with the physical structure of production as well as complete utilization of all reusable raw materials and material resources and the entire technical-production potential, fitting into the stock norms and establishing plan reserves which would permit continuous flow of the production processes.

The plan for material-technical supply is worked out within the activity of drawing up the single national plan for social-economic development at all organizational steps, proceeding from the basic economic, social-cultural and territorial-administrative units.

A. Material Balances

Article 93. The task of working out and presenting the draft material balances and the solutions for balancing them for the five-year and annual plans, of adapting the material balances according to the improvements made to the annual plans and of issuing allocations to conclude or adapt economic contracts and to be responsible for executing the balances approved belong to the coordinators of balances.

The coordinator of the balance is the main producer: the enterprise, central or ministry. The coordinator also may be the sales unit or main beneficiary, according to the case.

Article 94. The coordinators of balances, on the basis of the resources allocated by the plan holders through the material balances of the five-year plan, are to issue allocations developed for each year of the five-year plan, for beneficiary, indicating the suppliers, as well as annual allocations with distribution by quarters, in accordance with the provisions brought up to date from the annual plans.

The allocations are to be issued both for raw materials, materials, products, parts and new subassemblies as well as for the reusable ones coming from the unit itself or from other units as well as for materials substituting for scarce resources.

Article 95. The State Planning Committee, the Ministry of Material-Technical Supply and Control of the Management of Fixed Assets, together with the ministries and other central or local organs, as well as with the coordinators of balances and the production and consumer units are to take measures so that all available resources, including the recoverable ones of any type, are included in working out the energy and

material balances , while their distribution is to be done by categories of consumption on the basis of technically substantiated norms.

The organs and units provided in the preceding paragraph are responsible for the following:

- a) Having complete inclusion of the country's resources in the balances so that the development of the domestic base of raw materials is assured, there is optimum loading of the production capabilities, with a separate record for all reusable material resources;
- b) Providing the volume of goods for export in conformity with the physical tasks listed in the foreign trade plan and plan for international economic cooperation;
- c) Judicious distribution of the resources by consumers on the basis of consumption norms and standards and stock norms, planned structure of physical production and with promoting substitute materials in consumption which are efficient economically;
- d) Covering the need for goods for the market fund;
- e) Providing for reserves whose size depends on the nature of the materials and specific nature of the production process with a view to covering some unforeseen needs or supplementary requirements which appear while the plan is being executed.

The designation for material balance reserves is established by the Ministry of Material-Technical Supply and Control of the Management of Fixed Assets, taking into account the priorities established in the utilization of material resources, the production tasks or service tasks and the consumption and stock norms; for products whose balances are approved through the single national plan for social-economic development, establishing of the designation for the reserves is done by consultation with the State Planning Committee.

Article 96. Together with the proposal for construction of new capabilities , development of existing ones or introduction of new products into manufacture, the ministries, together with the coordinators of balances, are to establish the measures required for sure and future provision of the need for raw materials, materials, complementary products, spare parts and packaging, particularly from within the country, as well as for the sale of the production to be achieved by these capabilities after they have been put into operation.

Article 97. For the purpose of working out the material balances, the centrals are required to send the coordinators of balances the consumption need substantiated technically and economically for the raw materials, materials, packaging, spare parts, fuels, propellants, energy, machinery and equipment for which the balances are being worked out and data on the production levels and other resources included in the balances.

For the units directly subordinate to the ministries and other central and local organs, the obligations provided in paragraph 1 are fulfilled by them.

Substantiating the supply need is to be done on the basis of the consumption and stock norms and standards approved, under conditions of superior utilization of all material resources, emphasis on reducing specific consumption, rise in the indicators

of utilization of raw materials, intensification in the recovery and reutilization of all raw materials, materials and reusable energy resources.

Article 98. The material balances for the five-year and annual plans are approved as follows:

- a) Through the single national plan for social-economic development for raw materials, materials, fuels, propellants, energy, machinery and equipment with a decisive role in the economy's development and in establishing proportions between the economy's branches;
- b) By the collective leadership organs of the ministries and other central organs or by local organs, with advisement of the Ministry of Material-Technical Supply and Control of the Management of Fixed Assets and the State Planning Committee for other important products which are conditions for fulfilling certain tasks in the single national plan for social-economic development or for which imports are needed or export tasks are provided;
- c) By the collective leadership organs in the centrals and enterprises, assumed by the holding ministry and with the advisement of the Ministry of Material-Technical Supply and Control of the Management of Fixed Assets for other products.

Article 99. The listing of products for which the balances are being worked out, the coordinators of balances as well as the competencies for approval of the material balances are established by Council of Ministers decision at the proposal of the Ministry of Material-Technical Supply and Control of the Management of Fixed Assets and the State Planning Committee.

Bringing up to date the listing of material balances as a result of the changes resulting from application of certain legal provisions regarding indicators of the single national plan for social-economic development or from a change in the organizational structure or type of activity of the plan holders is to be done by the Ministry of Material-Technical Supply and Control of the Management of Fixed Assets and the State Planning Committee.

Article 100. On the basis of the resources and designations in the material balances approved and specifications by varieties, types and sizes received from the beneficiaries, the coordinators of balances are to work out analytical balances, manufacturing programs as well as programs for optimization of transportation and they are to issue allocations by beneficiaries in the limit of the quantities distributed through balances of the plan holders.

The quantities of materials being allocated to the economic units should be in strict agreement with the physical production or with the volume of planned services provided and the consumption and stock norms.

Coordinators of balances will be able to change or cancel the allocations issued only in cases where this measure is a result of the change in certain tasks of the single national plan for social-economic development or a compulsory order issued by the Ministry of Material-Technical Supply and Control of the Management of Fixed Assets under the conditions of this law.

The changing or cancellation of allocations by the coordinators of balances following expiration of the period for which they were issued is prohibited.

B. Setting the Stocks of Raw Materials, Materials, Fuels and Propellants

Article 101. Stock norms must assure the steady flow of production in conformity with the plan and technological processes, under conditions of maximum use of the efficiency of the material resources and production capabilities.

Stock norms are reviewed annually and approved at the same time as adoption of the single national plan for social-economic development.

Economic units are required to fit into the approved stock norms in the activity of material-technical supply.

Article 102. In setting the size of the level of stock norms, the enterprises, centrals, ministries and other central and local organs are required to provide:

- a) Continuous and steady flow of the production processes, intensive use of the production capabilities and labor force, under conditions of respect for the consumptions set, avoiding gaps in supply;
- b) Reflection of the changes occurring in the structure of production and consumption in an increase in the complexity of the technologies and quality of the products being built;
- c) Systematic reduction in material consumption on the basis of continual improvement in products and technologies as well as of broadening the domestic base of raw materials;
- d) Judicious correlation between the rise in material stocks and rise in net production so that for the economy as a whole the volume of material stocks per 1,000 lei national income created shows a decreasing curve;
- e) Reflection of measures for the continual improvement in the process of material-technical supply, particularly in optimization of transportation flows and zoning of the supply as well as supply sources; for products with a share in import, the stock level will take into account the length of time for cycles of supply on various markets;
- f) Shortening the manufacturing cycle specific to various subbranches and groups of products, improvement in the organization of production and optimization of production flows and batches of manufacture, correlation of finished product stocks with the size of delivery and invoicing cycles, eliminating tie-ups in stocks of finished products.

Determination of the level of stock norms for raw materials, materials and products is made according to the methods approved by the Council of Ministers.

Article 103. The levels of stock norms are established as follows:

- a) The level of stock norms at the producers for each raw material, material, fuel and products are established through the material balances;
- b) The level of stock norms at the consumers for each raw material, material, fuel, propellant and product for which material balances are worked out is established by

the ministry and other central and local organs, together with coordinators of balances and is approved by the Ministry of Material-Technical Supply and Control of the Management of Fixed Assets and the State Planning Committee, within the material resources provided through the single national plan for social-economic development;

c) For other products, the stock norms at producer and consumer are set by the collective leadership organ of the economic unit.

Development of the levels of the stock norms established according to a) and b) is carried out together with the other indicators of the single national plan for social-economic development.

Article 104. Having the economic units consume the normed stocks for the purpose of overfulfilling the production plan or for covering some consumptions which are larger than those approved is prohibited.

Article 105. Security stocks are established within the stocks set in order to assure continuity of the production process in the case of any interruptions in supply as a result of irregularities in the production process of the suppliers or in transport.

Security stocks are to be consumed only with approval of the higher organ, in well-justified cases, with the obligation that in the shortest possible time they be reintegrated from current deliveries. For raw materials and materials whose balances are approved at the same time as the single national plan for social-economic development, the security stocks can be consumed only with the agreement of the Ministry of Material-Technical Supply and Control of the Management of Fixed Assets.

In order to solve certain problems which appear in the material-technical supply process, caused by interruptions in deliveries, changes in the structure of production and for urgent intervention in case of damages, calamities and other similar situations, the Ministry of Material-Technical Supply and Control of the Management of Fixed Assets is to establish intervention stocks at the bases of material-technical supply under it; the intervention stocks are not considered stocks which move slowly or which do not move and are credited at current interest.

Article 106. The enterprises, centrals, ministries and other central and local organs are required, in the case of changes in the plan, to adapt appropriately the stock norms and to take measures to introduce the stocks which have become available as a result of these changes into economic circulation, in accordance with the provisions of this law.

Article 107. The Ministry of Material-Technical Supply and Control of the Management of Fixed Assets, the State Planning Committee, the Ministry of Finance, the Ministry of Foreign Trade and International Economic Cooperation, the Central Statistical Directorate together with ministries and other central and local organs periodically will analyze stocks of raw materials and materials existing in the economy compared with those taken into consideration in working out the plan and they will make proposals to regulate them.

c) The coefficient of utilization, which represents the minimum proportion in which the utilized materials are found in the finished products.

Article 83. The consumption norms and standards and other indicators utilized in the consumption setting are determined on the basis of the documents' technical documents, improved at the level of the best achievements in the country and abroad and in accordance with the plan tasks for scientific research and the introduction of technical progress, inventions, innovations and technical-organizational measures from the programs to reduce material consumption effectively in the period for which the norm is being made.

Determination of the consumption norms and standards is made by taking into consideration only raw materials, materials, parts and subassemblies provided in the standardization norms approved.

Mainly the following should be provided through the action of standardization of the raw materials, materials, parts and subassemblies:

- a) Establishing the optimum types and reducing the number of sizes to what is strictly necessary;
- b) Reducing the set consumptions of raw materials, materials, fuels and energy, increasing economic efficiency by having broad-scale introduction of technical progress and improving the products' quality and safety of operation;
- c) Extending the opportunities for multiple utilization among parts and varieties to the broadest possible range of products;
- d) Increasing the share of raw materials, materials and products from domestic production as well as the degree of utilization of raw materials and materials introduced in the manufacturing cycles.

Article 84. In construction-assembly activity the consumption standards are set on the basis of estimated norms and depending on the volume and structure of the construction-assembly jobs planned. The estimated norms are to include the materials which are standardized as provided in the model drafts approved and are to be reviewed regularly with a view to reducing consumption and extending the utilization of new materials from the country with reduced energy consumption.

In working out the model and reusable drafts of all technical documents for the investment projects, the research and design institutes are required to provide for reducing the specific consumption of materials compared with existing solutions.

Article 85. The consumption standards for products made through cooperation are worked out for the entire product by the coordinating enterprises for the product on the basis of data transmitted by the collaborating enterprises.

Article 86. The plan indicators for material consumption standards are approved as follows:

- a) Through the single national plan for social-economic development for the main consumption of raw materials, materials, fuels and electric energy whose balances

Section 2 Performance of Material-Technical Supply and Judicious Management of Material Resources

Article 108. The supply with raw materials, materials, fuels and other products from the country and imported ones is carried out on the basis of contracts concluded in this way:

- a) Transportable quantities through direct deliveries from the producers or from the border point to the actual consumer, according to the case;
- b) Non-transportable quantities:

Through the network of bases of the Ministry of Material-Technical Supply and Control of the Management of Fixed Assets, for materials of general usage and materials which are imported and which require being batched at the bases on the border before delivery to the various consumers in the country;

Through the specialized bases of the ministries and centrals, within the lists established with agreement of the Ministry of Material-Technical Supply and Control of the Management of Fixed Assets, for materials and products specific to certain branches of activity, for those of a high value or those which are easily perishable or breakable as well as for imported special materials and products or those which are imported in small quantities.

The Ministry of Material-Technical Supply and Control of the Management of Fixed Assets, with advisement of the Ministry of Finance, may take over the complete sale of certain materials through its own network of bases and warehouses and complete supply of certain economic units, under conditions where higher economic efficiency of the sales process and supply is assured, with the deliveries of the train-transportable quantities to be made directly from supplier to consumer.

Rolling of the machinery and equipment through the supply-sales bases is prohibited.

Article 109. The coordinators of balances are required to issue allocations, while the enterprises and centrals are required to conclude contracts on the basis of prior calculations of optimization of transport, assuring reduction in the transport distances, elimination of useless transports and fitting into the approved zones of sales-supply.

At the same time, it is to be assured that the bases from which materials are transported, particularly for construction, should be as close as possible to the place of consumption, generally in that county.

Upon establishing the placement for the new production capabilities or consumers of raw materials and mass materials, the plan holders are required to take into account the optimized solutions for transport for the supply and sales of the products.

Article 110. The economic units must assure material-technical supply only with the raw materials, materials, parts, subassemblies and assemblies of general use which, through their technical-economic parameters, fit into the standardization norms and they must deliver the finished products only if the conditions provided in these documents are met.

Article 111. In order to prevent the formation of reserve stocks of raw materials, materials, spare parts, packaging and products or those which do not move, under situations where the socialist units are achieving savings of materials, using replacement for scarce materials or changes in the structure of production, changes in the plantasks or from other reasons appear, the supply plan, the allocations and economic contracts are changed or are adapted on the basis of substantiated requests of the beneficiary units, under the conditions of the current law.

For this purpose, the beneficiary units will send substantiated requests to the next higher organ to renounce the products for which material balances have been worked out in the following ways:

a) For machinery, equipment and installations in a series, assembly organs, tools, wire workings and gauze wire, electric cables and leads, bearings, metal fittings, electrotechnical and electronic products—at least 90 days before the beginning of the quarter in which the delivery is forecast;

b) For raw materials, materials and other products—at least 60 days before the beginning of the quarter in which the delivery is forecast.

In the case of products specified through the bases for material-technical supply, the requests for renouncing are sent to them, while the above terms are reduced by 15 days.

For machinery, equipment and complex installations with a long manufacturing cycle, the beneficiary units may renounce under the conditions and on the terms established by the sides by contract, depending on the specific manufacturing nature of each product.

For the products for which material balances are not worked out, a change in the contracts is to be made through willful agreement of the contracting sides, in accordance with the law.

Article 112. On the basis of requests for renunciation, the immediately higher organ, within 10 days, is to redistribute the particular quantities to the subordinate units, depending on the solidly substantiated requests which have appeared while the plan was being executed and it is to inform the coordinators of balance of this.

For the quantities which remain undistributed, the ministries and other central and local organs are to send the requests for renouncing, well-substantiated, to the Ministry of Material-Technical Supply and Control of the Management of Fixed Assets at least 75 days prior to the start of the quarter to which it is referred for the products provided in Article 111a) and 45 days for the products provided in Article 111b).

Article 113. The Ministry of Material-Technical Supply and Control of the Management of Fixed Assets is to include in the plan reserve the quantities communicated in accordance with Article 112, paragraph 2, with a view to establishing the designations in accordance with the law.

Article 114. The coordinators of balances are required to change the allocations issued to the supplier and beneficiary units within 5 days of receipt of the report on redistribution measures with a view to adaptation of the economic contracts. For this

purpose the beneficiaries send the requests for renunciation, specifying the changes in specifications, to the coordinators of balances within the same terms provided in Article 111, paragraph 2.

Article 115. For changes in specifications in the quantities redistributed and the contracts concluded, justified requests are sent directly to the coordinators of balances, with respect for the terms provided in Article 112, paragraph 2. The coordinators of balances are required to accept the changes if they fit into the capacities and type of production and to communicate the changes to those concerned within 5 days at most.

Article 116. In case of change, adaptation or cessation of execution of the contracts, the contracting sides, their immediately higher organs and the coordinators of balances are to take effective measures to avoid the formation of stocks above the norms or reserve stocks, through change in the manufacturing programs, delivery timetables and supply timetables or material balances, according to the case and under legal conditions.

Article 117. Stocks of reserve materials or those which do not move and which have not been able to be utilized by the holding units in accordance with the law are to be sent to the material-technical supply bases under the Ministry of Material-Technical Supply and Control of the Management of Fixed Assets for materials and products of general usage or to the specialized departmental bases for specific materials and products up to the 15th of the next month. The bases are to assure direct redistribution of these stocks from the holder or, as is the case, to take them over in their own warehouses within 20 days through contract or written confirmation of the offer to take them over and on the basis of a quality certificate.

The stocks taken over are to be credited with current interest, with the credits to be reimbursed according to utilization of the particular stocks but not later than 2 years from the date the credits were given.

Article 118. The Ministry of Material-Technical Supply and Control of the Management of Fixed Assets, together with the ministries and other central and local organs, are to organize recentralized records, by computer, of the stocks of reserve materials or frozen stocks within the information system for material-technical supply and are to take measures for effective redistribution of them to the units which are encountering difficulties in providing the necessary material base for fulfilling their production tasks.

Article 119. In the activity of storing, handling and preserving the material goods, the socialist units are obligated to provide the following:

- a) Receipt, storage and appropriate preservation so that the quality and integrity of the products are maintained;
- b) Rational circulation in the warehouses and judicious utilization of warehouse space through optimum loading of existing areas;
- c) Mechanization of handling, transport and storage operations for the products and rise in the degree of supply with mechanized hoisting and transport means;
- d) Avoiding losses in the handling, storage and transport of products and creating conditions for continual reduction in the coefficients of perishability established

in accordance with the law and of restricting the listing of perishable products;

e) Providing a strict management and record-keeping of the material goods and of the integrity of the property entrusted to them for management.

Article 120. The ministries and other central organs which coordinate branches or areas of activity, with advisement of the Ministry of Material-Technical Supply and Control of the Management of Fixed Assets, are to work out and propose technically substantiated maximum norms and conditions in which reductions may be given for perishable goods specific to the branches or areas they are coordinating. The norms for perishability are approved by the Council of Ministers.

For goods from the commercial network, the norms of perishability are proposed by the Ministry of Domestic Trade.

Section 3 Management and Circulation of Packaging

Article 121. The packaging of goods is done depending on the specific nature of each category of good, limiting packaging and packaging materials to what is strictly necessary, under conditions which assure the maintenance of quality, integrity and preservation of the products from producer to consumer, reduction in the difficulty of packaging, establishing judicious load units, application of modern transport and handling techniques and eliminating expensive and scarce materials and reducing circulating expenses.

Article 122. Set lengths of service are established for each type of transport packaging, depending on its annual speed of rotation, the specific nature of the good, the handling, preservation and transport conditions as well as the materials the packaging is made of.

Within the set length of service, the socialist units are required to assure the fastest possible rotation for the packaging, with respect for the standards on the minimum number of cycles which must be made by each type of packaging.

Supplying socialist units with new packaging through the plan is done only after the length of service and number of cycles of utilization set for the packaging being used are fulfilled.

Article 123. Circulation of packaged goods and packaging following utilization is done by reducing handling and storage operations to what is strictly necessary and by eliminating intermediary links according to the following basic rules:

a) For packaged goods being delivered among production units, the packaging is returned by the beneficiary unit directly to the supplying unit;

b) Goods designated for the market fund and packaged by the producer generally circulate directly from the production unit to the retail sales store, while the return of the packaging is made to the production unit with means of transport utilized to bring the goods;

c) The goods delivered in bulk, in containers, tanks, barrels, crates, train cars and other similar means circulate directly from the producer to the sales stores or to the

warehouses of the consumer centers. The warehouses are required to assure sorting, division into batches, bottling, prepackaging and other operations prior to delivery to the beneficiary. The transport packaging is returned to the producer by the warehouse and to the warehouses by the beneficiary, respectively, with the means of transport with which the goods were brought.

The beneficiary units are required to assure the good management, careful handling and to make repairs and deliver the packaging on schedule to the units supplying the good, while they are required to make total receipt of the packaging from the beneficiary units in conformity with the allocations issued and the contracts concluded and to assure repair of them before recirculation, with strict respect for the circulation standards established.

Article 124. The ministries, other central and local organs, centrals, enterprises and other economic units are responsible for:

- a) Modernization and improvement of packaging of products, extending of efficient types of packaging which is used repeatedly, producing packaging which is resistant to transport, handling and storage, is sanitary and attractive, under conditions of a rational consumption of materials;
- b) Providing the storage, maintenance, repair and appropriate handling of the packaging and strict respect for the standards of utilization established;
- c) Delivery according to the plan provisions for consumer goods intended for the population in the prepackaged system;
- d) Establishing methods of packaging and formation of loading units depending on the technical characteristics of the systems for handling, transport, storage and distribution all along the products' route up to the beneficiaries; adoption of solutions which satisfy all the requirements determined by the application of modern techniques of handling, transport and storage;
- e) Extending the mechanization of loading-unloading operations as well as platform, container and transcontainer operations, seeking the continual reduction in the time that the means of transport are tied up.

Article 125. The socialist units are responsible for the maintenance and management of packaging for the whole set length of service as well as for intensive use of packaging materials and packaging allocated through the plan with maximum efficiency.

Following completion of the length of service and set number of cycles for the packaging, the socialist units are required:

- a) To continue utilizing the packaging which is in operational state; the savings obtained by having the packaging exceed its set length of service is to be one of the criteria for awarding prizes to the worker personnel who contributed to obtaining this;
- b) To repair deteriorated packaging with a view to its reuse, packaging which, following completion of the length of service and number of set cycles of utilization, can continue to be used;
- d) To utilize deteriorated packaging with total length of service completed and which no longer can be repaired as old raw materials.

Article 126. Introducing into economic circulation any categories of packaging may be done only with respect for the approved standardization standards in accordance with the law and if this measure assures an increase in economic efficiency in production activity and circulation of the goods. The assimilation and production of new packaging or of mass production are done on the basis of advisement of the Minister of Material-Technical Supply and Control of the Management of Fixed Assets, following its making checks and tests on the materials utilized, number of cycles for reuse, durability and other technical and economic parameters.

Article 127. The Ministry of Material-Technical Supply and Control of the Management of Fixed Assets and the Ministry of Transport and Telecommunications, together with the other ministries and central or local organs, are to assure the introduction and extending of container and blade packaging, taking measures for appropriate adaptation of the existing rail, sea and motor transport means as well as for mechanization of the loading and unloading operations for the goods.

Article 128. The ministries, other central or local organs and socialist units are responsible for working out special, annual, five-year and long-range programs with a view to extending the efficient types of packaging, using new materials and types of packaging with reduced specific consumption, the utilization of highly-productive techniques for packaging, handling, transport and preservation of products and they are responsible for carrying them out.

CHAPTER X Duties in the Area of Material-Technical Supply and the Management of Material Resources and Fixed Assets

Article 129. The Council of Ministers is responsible for fulfilling the tasks included in the single national plan for social-economic development regarding assurance of material-technical supply and it takes measures to extend the domestic base of raw materials and energy materials, to strengthen discipline in the management of fuels and energy, to recover and utilize all reusable material resources, to produce the necessary machinery, equipment, installations and spare parts. Also, it checks and follows up on the optimum use of fixed assets throughout the economy and all production capabilities under conditions of safety and economic efficiency.

The Council of Ministers is responsible for taking the necessary measures for steadily supplying the economy with raw materials, materials, fuels and energy in agreement with the requirements for fulfilling the plan tasks, for having strict respect for the consumption and stock norms and standards approved and for continual improvement in the entire process of material-technical supply.

Article 130. The Ministry of Material-Technical Supply and Control of the Management of Fixed Assets implements party and state policy in the area of material-technical supply and management of material resources and control over the management of fixed assets, for which purpose:

- a) It is responsible for carrying out material-technical supply and it intervenes with a view to preventing interruptions which may appear in the supply flow and in the redistribution of material resources for avoiding tie-ups;
- b) As the central coordinating organ for the economy, it is responsible for activities setting consumption, for rational utilization of material resources and for recovery and utilization of reusable material resources;

- c) Through its own network of bases and warehouses it assures the supply of materials from their activity; through order in these units it establishes intervention stocks for products, varieties and in quantities correlated with the specific nature of consumption in each zone;
- d) It participates in working out and substantiating the plan of material-technical supply; in collaboration with the State Planning Committee, ministries, other central and local organs as well as with the centrals, it works out consumption and stock norms and standards for the main raw materials, materials and products which are approved by the single national plan;
- e) It coordinates the activity of optimization of transport for the economy for this purpose collaborating with the Ministry of Transport and Telecommunications and with ministries and other central and local organs, suppliers and beneficiaries; it is responsible for working out the plan indicators for optimization of the transport of materials and products; it assures the zoning of supply;
- f) It organizes the reintroduction of available material stocks and frozen stocks into economic circulation under conditions of this law;
- g) It fulfills the job as central coordinating organ for the economy in the area of utilization and circulation of packaging and of platform, package, container and trans-container transport and the mechanized dispatch of products; with consultation of the ministries and other central organs concerned, it issues orders and standards for the utilization and circulation of packaging, platforms and containers which are compulsory for all socialist units which carry out activity subject to coordination;
- h) According to the case it takes or proposes measures for the continual improvement in the organization of material-technical supply in the economy.

Article 131. The Ministry of Material-Technical Supply and Control of the Management of Fixed Assets exercises control throughout the economy with regard to the following:

- a) Assuring that the balance of material balances is maintained while the plan is being executed, issuing allocations, concluding and executing economic contracts, utilizing and circulating packaging, packaging materials, platforms and containers and carrying out the entire material-technical supply process;
- b) Having the coordinators of balances and all socialist units respect the annual programs for optimization of transport;
- c) Respecting the consumption and stock norms and standards as well as fulfilling the tasks included in the programs to reduce material consumption;
- d) Recovering and utilizing reusable material resources; reconditioning used spare parts and utilizing materials and parts resulting from the dismantling of fixed assets;
- e) Utilizing fuels and energy with maximum efficiency, recovering and utilizing reusable energy resources, modernizing consumption installations with a view to raising output and continually reducing specific energy consumption and reducing losses and eliminating waste;

f) Using machinery, equipment, installations and other fixed assets under safe conditions and having appropriate operation, maintenance and repair of them and providing spare parts; it proposes measures for rational loading of equipment and redistribution of the unusable ones or ones poorly loaded at other economic units;

g) Operation of pressure installations, hoisting installations and fuel-consuming apparatuses under safety conditions in accordance with the law and technical prescriptions in effect;

h) Having the centrals and enterprises fulfill their duties in the supply, maintenance and repair of measuring, control and automation apparatuses and keeping them in an operational state;

i) Providing qualified personnel in accordance with the level of production and indicators of utilization planned for the operation, maintenance and repair of machinery, equipment and installations as well as the organization of periodic instructions for having them master the work instructions.

The control organs are responsible for establishing measures which provide for eliminating the shortcomings found, bringing the guilty persons to responsibility and permanently improving activity, in accordance with the law.

Article 132. The Ministry of Material-Technical Supply and Control of the Management of Fixed Assets, with consultation with the ministries, other central and local organs, according to the case, issues compulsory decisions with regard to:

a) The roll of material-technical supply under normal conditions and setting of consumption and stocks;

b) Utilization of the reserves from the material balances under the conditions provided by law, establishing priorities in contracts, fixing delivery schedules and redistributing stocks;

c) Change in allocations and proper adaptation of certain contracts concluded in the case where the lack of material resources endangers the fulfillment of certain particularly important tasks for the national economy; in this situation the sides are to make the contract agree with the decision communicated;

d) Prohibiting the supply and delivery when unjustified stocks have been found, as well as irrational utilization, waste and losses as well as when the use of more efficient substitutes has been established through the plan or other regulations.

The measures on the organization of material-technical supply and networks of bases are established by the Ministry of Material-Technical Supply and Control of the Management of Fixed Assets, with the agreement of the ministries and other central or local organs.

Article 133. The supply and sales departments in the ministries and units under them are also subordinate to the Ministry of Material-Technical Supply and Control of the Management of Fixed Assets with regard to providing the material base for the plan, rolling material-technical supply and optimization of transport, application of measures to reduce material and energy consumption, utilization of reusable material

resources, utilization and circulation of packaging, platform transport, container transport and other activities concerning the flow of material-technical supply.

Deputy ministers and those comparable to them who coordinate supply and sales activity in the ministries and departments also are subordinate to the minister of material-technical supply and control of the management of fixed assets, before whom they are responsible for all the activity carried out in these areas in the ministry or department.

Appointment and release of directors general, deputy directors general, directors and deputy directors of the general directorates and directorates of supply-sales in the ministries and departments are made by order of the minister or head of the particular department, with the agreement of the minister of material-technical supply and control of the management of fixed assets.

Article 134. The Ministry of Material-Technical Supply and Control of the Management of Fixed Assets, the Ministry of Finance, the State Planning Committee, the financing banks, the ministries and other central and local organs are responsible for establishing and checking on the measures which assure fitting into the stock norms for raw materials, material, semimanufactured products, unfinished production and finished products and for preventing and eliminating surplus stocks and financial tie-ups.

Article 135. The State Planning Committee, together with the ministries and other central and local organs, is responsible for the material balance of the single national plan for social-economic development, for assuring the material-technical base necessary for fulfilling the goals and tasks provided and for assuring through the plan the intensive utilization of fixed assets with maximum efficiency. For this purpose:

a) It assures the balance of material balances which are approved together with the single national plan for social-economic development and the balance of primary energy as well as establishment of solutions to achieve these balances; together with the Ministry of Material-Technical Supply and Control of the Management of Fixed Assets, it establishes solutions for balancing the scarce material balance, together with the coordinators of balances;

b) It collaborates with the Ministry of Material-Technical Supply and Control of the Management of Fixed Assets in working out consumption indicators from the single national plan for social-economic development;

c) Together with the Ministry of Material-Technical Supply and Control of the Management of Fixed Assets, other ministries and central and local organs, it is responsible for development of the domestic base of raw materials, materials and energy, for superior utilization of natural resources and reserves existing in the economy in agreement with the requirements of the domestic market and combination of trends on the foreign market;

d) While the plan is being executed, it analyzes the way that raw materials, materials, equipment and spare parts are being provided and it proposes measures to the Council of Ministers for maintaining the balance of the single national plan for social-economic development and the steady and efficient flow of economic activity;

e) It analyzes the loads of the main production capabilities, the production areas, machinery and equipment and through the plan it assures full use of them, and the elimination of bottlenecks .

Article 136. The ministries, other central and local organs have the following responsibilities and main duties in the area of material-technical supply and management of material resources and fixed assets:

a) They are responsible for achieving the planned production as well as for providing the material-technical base for fulfillment of their plan tasks;

b) They assure achievement of material-technical supply, the compilation, balancing and achievement of material balances, respect for the consumption and stock norms and standards approved as well as drawing up and bringing up to date of the material and energy balances;

c) They are responsible for concluding and executing economic contracts, for fulfilling the programs for assimilation of new and redesigned products and standardization of products;

d) They work out programs to reduce set consumptions, they assure the material-technical base needed to achieve the measures provided and to include research, design tasks into the plan for scientific research and the introduction of technical progress and assimilation in production, resulting from these programs;

e) They check on and take measures to avoid tie-ups of stocks and for efficient redistribution of the reserve or frozen stocks;

f) They assure the recovery and reutilization of raw materials, materials, and reusable energy resources, the utilization and circulation of packaging, prepackaging, container transport, platform and package transport of products;

g) They are responsible for organizing the dispatch and receipt of goods without transport packaging by utilizing crates-platforms, containers, special vehicles for bulk transport or transport means of general use and in all the cases in which this method of delivery assures the quality and quantity integrity of the products;

h) They are responsible for establishing the necessary measures so that the design, execution and start into operation as well as the operation, maintenance and repair of fixed assets are achieved under conditions of maximum economic efficiency and full safety of operation;

i) They are responsible for organizing units or sections for repairing types of machinery, equipment and installations for which they are the producers or the main holders, which should satisfy the need for capital repairs at the level of the national economy as well as for the recovery and reconditioning of spare parts;

j) They organize and control the compilation and dissemination of catalogues including the products being manufactured by the units under them.

Article 137. In the area of material-technical supply, management of material resources and fixed assets, the centrals have the following responsibilities and main duties:

- a) They are responsible for carrying out production in the structure, varieties and quantities provided in the plan as well as for assuring the supply and sales of production through contracts, including for the units which are to enter into operation in the plan period;
- b) They establish the listing of products for which the centralized supply or sales is being carried out by the central and the obligations belonging to the subordinate units from the contracts concluded directly by the central;
- c) They assure that the consumption fits into the levels planned, they check on and aid the subordinate enterprises in timely implementation of the measures provided in the programs to reduce material consumption and any other proposals with effects reducing material consumption;
- d) They are responsible for preventing the formation of surplus stocks and for reducing reserve and frozen stocks in economic circulation;
- e) They check the material balances worked out by the subordinate units, they assure the application of measures for superior utilization of all resources placed at their disposal, including for the recovery and utilization of reusable material resources;
- f) They assure the continual reduction in specific energy consumption, they check the energy balances worked out and brought up to date by the subordinate enterprises, they apply measures for savings on fuels and energy resulting from them as well as measures to rationalize and save as provided in the energy plans;
- g) They assure the design, production and operation of machinery, equipment, installations and other fixed assets under conditions of economic efficiency and full security in the production process;
- h) They are responsible for strict respect for the technologies established in the production processes;
- i) They compile and disseminate the commercial catalogues which should include the products being manufactured in the subordinate units and whose sale is carried out by the central.

Article 138. The enterprises have the following responsibilities and main duties in providing the material base for production and sale of products and in management of the material resources they have available and the fixed assets in their supply:

- a) They are responsible for complete and steady achievement of production in the physical varieties planned, for assuring the necessary material-technical base for carrying out production and for delivery of the production, in accordance with the contracts concluded directly or by the central;
- b) They are responsible for giving a sensible size to the need for raw materials, materials, equipment, packaging and other products in conformity with the plan tasks and the production contracted, with the norms, standards of consumption and other consumption indicators, with the stock norms approved and for laying out the consumption indicators approved by products and sections of production and for establishing the necessary measures for strict respect for the set consumptions;

- c) They apply measures to reduce the normed consumption, for this purpose providing research and design tasks and the introduction of new and modernized products into manufacture and they assure the material-technical base for carrying out the measures proposed on schedule;
- d) They are responsible for preventing the formation of surplus stocks and for efficient utilization of the reserve or frozen stocks;
- e) They take measures for rational utilization of fuels and energy, with strict respect for the allocations issued, for modernization of the installations, aggregates, energy and technological processes as well as for the recovery and utilization of reusable energy resources;
- f) They are responsible for the judicious management of raw materials and materials, for utilization of materials substituting for raw and scarce materials and for the recovery and complete utilization of reusable material resources and for the reconditioning of spare parts;
- g) They provide the packaging and formation of units for loading, handling, storage and mechanized dispatch of products;
- h) They provide the continuous operation, optimum loading, maintenance and repair of fixed assets according to the technical prescriptions and the necessary equipment and are responsible for keeping records of the production capabilities;
- i) They are responsible for the supply of machinery, equipment and installations with the measuring, control, regulating and automated apparatuses provided in the documents and for taking the necessary measures for maintaining them in a state of operation at the precision prescribed;
- j) They assure timely training of the personnel needed for the operation, maintenance and repair of the fixed assets in conformity with the norms of structure and the personnel standards approved and they are responsible for appropriate technical guidance for the production processes by the heads of sections, heads of installations and foremen and for supplying the jobs with specific technical instructions;
- k) They establish and apply measures for respecting the working program provided by the manufacturing technologies and the technical prescriptions in connection with the utilization and maintenance of machinery, equipment and installations, for timely and quality execution of the review and repair jobs in conformity with the technical standards in effect;
- l) They organize servicing activity for the products manufactured, together with the next higher organ, in accordance with the law;
- m) They compile and disseminate commercial catalogues which include the products they manufacture and the sale of which is their task.

Article 139. The institutes for scientific research and technological engineering, the research and design units have the following main duties in the area of the superior utilization of material resources and improvement in fixed assets:

- a) They work out studies and drafts for new or modernized materials and products, which assure that high quality, technical and economic parameters are reached with reduced energy and material consumption in the manufacture and in operation;
- b) In drawing up the technical documents, they provide solutions for fitting into the material consumption approved and they assure strict respect for the standardization norms;
- c) They participate in working out programs for providing new materials, for the modernization of products from current manufacture and improvement in technologies as well as in establishing and carrying out measures to reduce material consumption with a view to continually increasing their efficiency;
- d) They adopt optimum construction solutions from the technical-economic viewpoint, which permit operation of the machinery, equipment and installations which are newly designed or are redesigned under safety conditions;
- e) In the technical documents they provide the technical checks and experiments which must be carried out in the plants and on the job sites for checking the parameters of safety in operation, the important subassemblies and reserve parts and, at the beneficiaries' request, they provide the necessary technical assistance for placing the fixed assets into operation and the operation and capital repair of them;
- f) They work out technical norms for the operation, maintenance, periodic review and repair of machinery, equipment and installations and for the reconditioning of used parts as well as for the necessary qualification of the operations personnel.

CHAPTER XI Penalties

Article 140. Violation of the provisions of this law, according to the case, entails disciplinary, material, civil, contraventional or criminal responsibility of the guilty parties.

Article 141. The destruction, damaging of a good belonging to the public wealth or placing it into an unusable state or hindering measures to preserve or save such a good is an infraction and punishable in accordance with the Penal Code.

Article 142. The following acts are contraventions of the provisions of the law, if they are not committed under such conditions, in accordance with criminal law, as to constitute infractions and they are penalized as follows:

- 1. With a fine of from 3,000 to 6,000 lei:
 - a) Failure to take measures for the good management of raw materials, materials and products;
 - b) Violation of duties in the establishment, distribution and use of the plan reserve;
 - c) Violation of duties in the complete setting of consumption in industry, construction-assembly and providing of services, as well as with regard to setting the stocks;
 - d) The consumption of normed stocks for the purpose of overfulfilling the production

plan without approval or as a result of exceeding the normed consumption, as well as the consumption of security stocks with violation of the law;

e) Failure to draw up the repair plan or failure to make repairs in conformity with the technical standards in effect as well as their receipt in violation of technical norms;

f) Failure to respect the decisions given in accordance with the law by the Ministry of Material-Technical Supply and Control of the Management of Fixed Assets in the area of material-technical supply, which are compulsory for the units regardless of their subordination;

g) Violation of duties in the application of and respect for the technologies designed and homologated in the production processes;

h) Failure to provide for measuring, control and automation apparatuses in the technical documents or failure to provide the measuring, control and automation apparatuses provided in the technical documents when the installations and technological lines are placed into operation.

II. With a fine of from 1,000 to 3,000 lei:

a) Failure to respect legal provisions for the compilation of material balances, violation of the duty to distribute and contract for the resources in conformity with the designations from the approved material balances, the issuance or cancellation of allocations by the coordinators of balances involving violation of the law, delivery of products for which balances are worked out between socialist units without allocations as well as violation of the conditions for working out the specifications by the beneficiary;

b) Compilation of consumption norms and standards, with violation of legal provisions, or failure to compile programs to reduce the consumption set;

c) Failure of the designer to work out the technical instructions for the operation, maintenance, periodic review and repair of fixed assets as well as the listing of parts for wear and safety needed for the good operation of the machinery, equipment and installations;

d) Failure to take the measures provided by law for preventing the formation of reserve or frozen stocks from domestic production or import, as well as for reintroducing them into economic circulation;

e) Failure to respect the technical prescriptions and standards for maintenance, repair, operation and safety in operation of the machinery, equipment and installations, including steam boilers and similar products, pressure receptacles, hoisting installations and energy-consuming apparatuses;

f) Hindering the control organs in any way from carrying out their duties as provided by law;

g) Presentation of requests for materials and products which are not substantiated on the basis of consumption and stock norms.

Article 143. Determination of the contraventions provided in Article 142 and application of penalties are made by the following:

- a) Personnel with control and inspection duties in the Ministry of Material-Technical Supply and Control of the Management of Fixed Assets, financial inspection personnel from the Ministry of Finance and bank inspection personnel appointed by the banks' leaders;
- b) Personnel with control duties from the ministries, other central organs, from the executive committees of the county and Bucharest municipal people's councils and from centrals, specifically empowered by those organs' leaders for contraventions committed in the subordinate units as well as in other units if the empowered personnel operate in the units which act as the coordinator of balance.

Article 144. Complaint may be made within 15 days from the date of its communication against the report determining the contravention.

The complaint is submitted to the organ which the determining agent is part of and is to be accompanied by a copy of the report determining the contravention.

Article 145. Provisions on contraventions of this law are completed with the provisions of Law 32/1968 on Establishment and Penalization of Contraventions.

Article 146. Contraventions in the area of fuel and energy management as well as those in the area of reuse and utilization of reusable material resources and circulation of packaging are as provided by law.

CHAPTER XII Final Provisions

Article 147. The provisions of this law also apply appropriately to the cooperative organizations and other public organizations.

Article 148. For units under the Ministry of Agriculture and the Food Industry and units of the agricultural production cooperative, the provisions of this law are completed with the legal provisions specific to these areas.

Article II. This law goes into effect on 1 January 1981.

The following are cancelled on the same date:

Council of Ministers Decision No 1106/1959 on Improvement in Setting Consumption, Stocks and Standards for Circulating Resources, published in BULETINUL OFICIAL No 28, 19 August 1959;

Council of Ministers Decision No 879 of 29 July 1972 on Establishing Competencies for Approval of Consumption and Stock Norms and Standards, published in BULETINUL OFICIAL No 85, 4 August 1972;

Council of Ministers Decision No 413 of 17 April 1972 on Establishing and Penalizing Contraventions of Standards for Material-Technical Supply, Management of Fixed Assets, Fuels, Energy and Packaging, published in BULETINUL OFICIAL No 37, 17 April 1972.

Council of Ministers Decision No 1285 of 25 October 1972 on Certain Measures To Return Available Stocks of General Usage Materials Into Economic Circulation and Crediting of Available and Intervention Stocks;

Council of Ministers Decision No 742 of 24 June 1974 on Certain Measures To Improve the Activity of Planning, Norm Setting, Manufacture and Management of Consumption and Stocks of Spare Parts for Machinery, Equipment, Installations, Apparatuses and Long-Usage Consumer Goods;

Articles 7, 8 and 9 of Council of Ministers Decision No 1270/1975 on Approval of the Listing of Products for which Balances are Compiled, the Coordinators and Competencies for Approval of Material Balances, republished in BULETINUL OFICIAL No 122 of 22 November 1977, as well as any other provisions contrary to the current law.

This law was adopted by the Grand National Assembly at its meeting of 18 December 1980. President of the Grand National Assembly, Nicolae Giosan. Bucharest, 18 December 1980. No 11.

8071

C O: 2700

GEOLOGICAL PROSPECTING FOR ENERGY RESOURCES DISCUSSED

Bucharest FLACARA in Romanian 1 Jan 81 p 9

[Interview with Eng Ioan Folea, director general in the Ministry of Mines, Petroleum and Geology, by Liviu Timbus]

[Excerpts] Question: How does geological prospecting respond to the needs of the socio-economic development of Romania?

Answer: In accordance with the decisions of the 12th RCP Congress and the directions and recommendations of Comrade Nicolae Ceausescu we will have to concentrate our major efforts on assuring the necessary supply of mineral raw materials and fuels from our own resources. The program drawn up for this purpose is characterized by the extension and expansion of complete geological prospecting over the entire territory of the country as well as on the Romanian continental shelf of the Black Sea with a view to discovering new reserves of crude oil, gas, underground thermal waters, coal, combustible schists, iron ores, non-ferrous and gold and silver-bearing ores, ores of rare metals and non metal substances and useful rocks.

Question: What are the major objectives of geological prospecting activity in the future five-year plan?

Answer: For petroleum and gas, geological prospecting activity will be carried out, in particular, in zones in which specialists expect the discovery of new reserves of hydrocarbons. Thus, at depths of up to 3,500 meters, prospecting will be undertaken on the basis of new concepts and improved exploration methods in all old productive areas for the purpose of locating new areas with reserves of petroleum and gas. In regard to deep drilling prospecting, areas will be explored on a longterm basis, especially those areas which have proven to be productive or which show signs of having hydrocarbons. The 1981-1985 five-year plan envisages the execution of deep drilling up to 8,000-10,000 meters to verify possibilities that hydrocarbons might exist, accumulate and be preserved at such depths.

For solid mineral substances, it is expected that a rig for deep prospecting by means of gravimetric, magnetometric, electrometric, xradiometric and other methods will be used; this will permit the extension of the area explored and the efficient detection of concentrations of small sizes. The perfecting of prospecting methodologies and techniques should occupy a central place in the general activity.

Thus, geological prospecting on the Romanian continental shelf of the Black Sea will benefit from--in addition to the sedimentological, bathymetric, seismo-acoustic and magnetometric methods used in past years--the introduction of marine gravimetric methods which will contribute to the complete deciphering of the deep geological structure and the knowledge of the mineral potential at great depths.

Question: What are prospects for utilizing ores which are not so rich in useful elements and what can you tell us about the secondary recovery of crude oil?

Answer: The perfecting of some technologies has demonstrated, in a practical manner, that such deposits can also be utilized effectively. This justifies the continuation and even the intensification of geological research to discover ores which are low in useful materials.

In the same broad context, technological measures will be employed to artificially influence the layers so that the final recovery factor of crude oil will be increased. The recovery level of crude oil by primary methods is about 27 percent. Conventional methods (injection with water and gas) raise the recovery level to 31 percent and tertiary methods (thermal and chemical), to up to 40-42 percent.

Question: What are the possibilities for utilizing new energy substances in Romania?

Answer: At present, the providing of the necessary energy for industry and consumption by the population is based mainly on the use of liquid fuels (petroleum products), methane gas, energy-producing oils, brown coal and lignite. A more efficient utilization of hydrocarbons by chemical processing is envisaged for the future. (In collaboration with the Ministry of the Chemical Industry experiments are being carried out for the underground gasification of coal.) The discovery of large deposits of bituminous schists in the Banat, in Anina, has made it possible to design and construct a thermoelectric power plant which will use this fuel in the near future. There will be a great effort to discover and use thermal water resources. This year, a unit specializing in geological research and the utilization of geothermal waters has been established in Oradea. It is envisaged that in 1985, by the use of these waters heated in the natural boiler of the earth, we will obtain caloric energy equivalent to that supplied by about 500,000 tons of conventional fuel.

It is not only a matter of the discovery and use of large quantities and very large quantities of mineral substances. It is also a question of better management and utilization of these resources which can never be made again. We have in mind, in this regard, the perfecting of extraction technologies and the complete and complex utilization of all useful elements in these reserves which are brought to the surface.

CSO: 2700

YUGOSLAVIA

AIRLINE WORKERS VOICE GRIEVANCES

AU151703 Belgrade Domestic Service in Serbo-Croatian 1400 GMT 15 Jan 81

[SLOBODAN KOVACEVIC report]

[Text] A press conference has been held by the flight staff of the Yugoslav Air Transport [JAT]. SLOBODAN KOVACEVIC reports on the most important points:

It was explained that the cause of this conference was some misunderstandings between the collective and the public information media which, it was said, have frequently written in an incorrect and tendentious way about air crews, especially regarding their remuneration. It was even said that some articles were such irritants that heated discussions were held in cockpits during flights, which could even affect air safety.

Representatives of the flight staff therefore explained the difficulties which they meet in their daily work and which they ultimately overcome successfully. They also presented some successes deserving attention, such as the saving of 7,900 tons of fuel last year.

It was nevertheless heard that many unsolved problems remain. Remuneration according to work is almost at the very initial stage: documents and declarations exist, but as several pilots confirmed, there is no proper interest in working more and better because of the lack of stimulative remuneration. The relations between the pilots and the cabin crews and the status of the latter in general also remain unsolved.

It was expected that the leadership of this important JAT basic organization of associated labor will want to explain to the public the case of flight pursers not appearing for work on the second day of this year because of which four planes did not fly and eight were late in starting. We gained the impression, however, that the flight staff consider the 2 January incident as too sensitive to be discussed frankly with journalists. They were content with a brief explanation that disciplinary measures had been taken and that the procedure is underway.

CSO: 2800

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Feb. 23 1981

